NEW ISSUE—FULL BOOK-ENTRY

RATING: Moody's: "Aa2"
(See "MISCELLANEOUS – Rating" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds

.

$40,000,000
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2016 General Obligation Bonds, Series C

Dated: Date of Delivery

Due: August 1, as shown herein

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

The Lucia Mar Unified School District (San Luis Obispo County, California) Election of 2016 General Obligation Bonds, Series C (the "Bonds") were authorized at an election of the registered voters of the Lucia Mar Unified School District (the "District") held on November 8, 2016, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $170,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and (ii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from ad valorem property taxes. The Board of Supervisors of San Luis Obispo County is empowered and obligated to levy ad valorem property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.

Maturity Schedule
(see inside front cover page)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about June 11, 2020.

STIFEL

Dated: May 28, 2020.

MATURITY SCHEDULE

$40,000,000
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2016 General Obligation Bonds, Series C

Base CUSIP[†]: 54947T

$14,200,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix[†]
2022	$3,500,000	3.000%	0.260%	FT1
2023	915,000	3.000	0.380	FU8
2024	80,000	3.000	0.450	FV6
2025	135,000	3.000	0.490	FW4
2026	200,000	4.000	0.670	FX2
2027	190,000	4.000	0.790	FY0
2028	245,000	4.000	0.890	FZ7
2029	305,000	4.000	0.960	GA1
2030	370,000	4.000	1.090[(1)]	GB9
2031	440,000	4.000	1.240[(1)]	GC7
2032	515,000	4.000	1.360[(1)]	GD5
2033	595,000	4.000	1.500[(1)]	GE3
2034	675,000	4.000	1.560[(1)]	GF0
2035	765,000	4.000	1.640[(1)]	GG8
2036	860,000	3.000	2.070[(1)]	GH6
2037	950,000	3.000	2.120[(1)]	GJ2
2038	1,050,000	3.000	2.160[(1)]	GK9
2039	1,150,000	3.000	2.200[(1)]	GL7
2040	1,260,000	3.000	2.240[(1)]	GM5

$14,750,000 – 3.000% Term Bonds due August 1, 2047 – Yield 2.470% [(1)]; CUSIP[†] Suffix: GN3

$11,050,000 – 4.000% Term Bonds due August 1, 2049 – Yield 2.130% [(1)]; CUSIP[†] Suffix: GP8

(†) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. These data are 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 or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(1) Yield to call at par on August 1, 2029.

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

U.S. Bank National Association
Los Angeles, California

(1) Andy Stenson has announced he will resign as Superintendent effective June 30, 2020. On May 19, 2020, the Board of Education of the District appointed Paul Fawcett as the successor Superintendent, effective July 1, 2020.

TABLE OF CONTENTS

TABLE OF CONTENTS (cont'd)

Page

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. 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 in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

$40,000,000
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2016 General Obligation Bonds, Series C

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Lucia Mar Unified School District (San Luis Obispo County, California) Election of 2016 General Obligation Bonds, Series C (the "Bonds").

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

General

The Lucia Mar Unified School District (the "District") was established as a unified school district in 1965, and is located about 15 miles south of the City of San Luis Obispo. The District encompasses approximately 550 square miles in San Luis Obispo County (the "County"). The District operates 11 elementary schools, three middle schools, three high schools, one continuation high school and one adult education program, and serves a population of approximately 75,000 residents. For fiscal year 2019-20, the District has an average daily attendance ("ADA") of 9,805 students, and taxable property within the District has an assessed valuation of $15,747,346,395.

The District is governed by a seven-member Board of Education (the "Board"). Board members serve four-year terms, represent their respective trustee areas, and are elected at-large by voters within the District. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other key personnel.

Andy Stenson is currently the District's Superintendent. Andy Stenson, the current Superintendent of the District, has announced he will resign as Superintendent effective June 30, 2020. On May 19, 2020, the Board appointed Paul Fawcett as the successor Superintendent, effective July 1, 2020. See "LUCIA MAR UNIFIED SCHOOL DISTRICT – Administration" herein.

For more information regarding the District generally, see "DISTRICT FINANCIAL INFORMATION" and "LUCIA MAR UNIFIED SCHOOL DISTRICT" herein, and for more information regarding the District's assessed valuation, see "TAX BASE FOR REPAYMENT OF BONDS" herein.

On April 22, 2020, the District extended its previous order to close all schools for the remainder of the 2019-20 school year, in order to curb the potential spread of the novel coronavirus known as COVID-19. The District has implemented distance learning. See "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein. See also "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" regarding risks related to outbreaks of disease and other factors that may affect the assessed value of property within the District.

Purposes of the Bonds

The Bonds are being issued by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and (ii) pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to a resolution adopted by the Board. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from ad valorem property taxes on all property subject to taxation within the District. The Board of Supervisors of the County is empowered and obligated to annually levy ad valorem property taxes on all such property, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds when due (except certain personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form, Registration and Denomination. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (the "DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (as defined herein). See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Exchange and Transfer of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount, or any integral multiple thereof.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1, commencing August 1, 2020 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1, in the amounts and years as shown on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, acting as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about June 11, 2020.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes which may be levied on all property subject to taxation within the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the District's financial condition and taxation of property within the District, see "TAX BASE FOR REPAYMENT OF BONDS," "DISTRICT FINANCIAL INFORMATION" and "LUCIA MAR UNIFIED SCHOOL DISTRICT" herein.

Continuing Disclosure

The District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in APPENDIX C attached hereto.

Forward-Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS,

PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter (as defined herein) by Kutak Rock LLP, Denver, Colorado.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Lucia Mar Unified School District, 602 Orchard Street, Arroyo Grande, California 93420, telephone: (805) 474-3000. The District may impose a charge for copying, mailing and handling.

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

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

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, Article XIIIA of the State Constitution and pursuant to a resolution adopted by the Board on April 21, 2020 (the "Resolution"). The County has adopted a resolution pursuant to Education Code Section 15140(b), which authorizes the District to issue the Bonds on its own behalf.

The District received authorization at an election held on November 8, 2016, by the requisite 55% or more of the votes cast by eligible voters of the District to issue $170,000,000 aggregate principal amount of general obligation bonds (the "2016 Authorization"). On March 30, 2017, a first series of bonds was issued pursuant to the 2016 Authorization in the aggregate principal amount of $35,000,000. On June 7, 2018, a second series of bonds was issued pursuant to the 2016 Authorization in the aggregate principal amount of $50,000,000. The Bonds are the third series of bonds issued under the 2016 Authorization, and, following the issuance thereof, $45,000,000 of the 2016 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of ad valorem property taxes on all property subject to taxation within the District. The Board of Supervisors of the County is empowered and obligated to annually levy ad valorem property taxes upon all such property, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds when due (except certain personal property which is taxable at limited rates). The levy may include allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future.

Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which is required to be segregated and maintained by the County and which is designated for the payment of the principal of and interest on the Bonds, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy ad valorem property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The amount of the annual ad valorem property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought, outbreak of disease or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. See "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of ad valorem property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the ad valorem property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, both as to principal and interest, from the proceeds of ad valorem property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such ad valorem property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. See "— Book-Entry Only System" herein. Beneficial Owners will not receive certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of the Date of Delivery.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing August 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2020, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment. Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15^{th} day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

Annual Debt Service

The following table displays the annual debt service requirements of the District for the Bonds (assuming no optional redemptions):

Year Ending August 1	Annual Principal Payment	Annual Interest Payment[1]	Total Annual Debt Service Payment
2020	—	$187,986.11	$187,986.11
2021	—	1,353,500.00	1,353,500.00
2022	$3,500,000	1,353,500.00	4,853,500.00
2023	915,000	1,248,500.00	2,163,500.00
2024	80,000	1,221,050.00	1,301,050.00
2025	135,000	1,218,650.00	1,353,650.00
2026	200,000	1,214,600.00	1,414,600.00
2027	190,000	1,206,600.00	1,396,600.00
2028	245,000	1,199,000.00	1,444,000.00
2029	305,000	1,189,200.00	1,494,200.00
2030	370,000	1,177,000.00	1,547,000.00
2031	440,000	1,162,200.00	1,602,200.00
2032	515,000	1,144,600.00	1,659,600.00
2033	595,000	1,124,000.00	1,719,000.00
2034	675,000	1,100,200.00	1,775,200.00
2035	765,000	1,073,200.00	1,838,200.00
2036	860,000	1,042,600.00	1,902,600.00
2037	950,000	1,016,800.00	1,966,800.00
2038	1,050,000	988,300.00	2,038,300.00
2039	1,150,000	956,800.00	2,106,800.00
2040	1,260,000	922,300.00	2,182,300.00
2041	1,375,000	884,500.00	2,259,500.00
2042	1,495,000	843,250.00	2,338,250.00
2043	1,620,000	798,400.00	2,418,400.00
2044	1,755,000	749,800.00	2,504,800.00
2045	1,895,000	697,150.00	2,592,150.00
2046	2,650,000	640,300.00	3,290,300.00
2047	4,655,000	560,800.00	5,215,800.00
2048	4,985,000	414,200.00	5,399,200.00
2049	5,370,000	214,800.00	5,584,800.00
	$40,000,000	$28,903,786.11	$68,903,786.11

____

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2020.

See "LUCIA MAR UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a full table of the annual debt service requirements for the District's outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued by the District to (i) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities and (ii) pay the costs of issuing the Bonds.

Building Fund. The net proceeds of the sale of the Bonds will be deposited into the fund held by the County and designated as the "Lucia Mar Unified School District Election of 2016 General Obligation Bonds, Series C Building Fund" (the "Building Fund") and will be applied only for the purposes approved by the voters of the District pursuant to the 2016 Authorization. Any interest earnings on moneys held in the Building Fund will be retained therein. The County will have no responsibility for assuring the proper use of the proceeds of the Bonds.

Debt Service Fund. Any premium or accrued interest received by the District from the sale of the Bonds will be deposited into a debt service fund (the "Debt Service Fund"), which fund is held by the County for the payment of principal of and interest on the Bonds, and for no other purpose. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. Any excess proceeds of the Bonds not needed for authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds. If, after payment in full of the Bonds there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District. Pursuant to the Resolution, the District has pledged to the payment of the Bonds (i) all revenues received pursuant to the levy and collection of ad valorem property taxes for the payment of the Bonds, and (ii) all such revenues received and proceeds of the Bonds, as well as interest earnings thereon, on deposit in the Debt Service Fund.

Investment of Proceeds. Moneys in the Building Fund and in the Debt Service Fund may be invested in any one or more investments generally permitted to school districts under the laws of the State or as permitted by the Resolution. Moneys in the Building Fund and the Debt Service Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E – SAN LUIS OBISPO COUNTY INVESTMENT POOL" attached hereto.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2029 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2030 are subject to redemption prior to their respective stated maturity dates at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2029, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 1, 2047, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2041, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
2041	$1,375,000
2042	1,495,000
2043	1,620,000
2044	1,755,000
2045	1,895,000
2046	2,650,000
2047	3,960,000[(1)]

____
(1) Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2047 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect to the portion of such Term Bonds optionally redeemed.

The Term Bonds maturing on August 1, 2049, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2047, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
2047	$695,000
2048	4,985,000
2049	5,370,000[(1)]

____
(1) Final Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2049 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect to the portion of such Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select the Bonds for redemption as directed by the District and if not so directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent will determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. When optional redemption is authorized or required pursuant to the Resolution, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) provide such Redemption Notice to such other persons as may otherwise be required pursuant to the Continuing Disclosure Certificate.

"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 Paying Agent or as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such transfer.

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds (or portions thereof) shall be deemed to have been defeased as described in "— Defeasance" herein, such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will, within a reasonable time thereafter (but in no event later than the date originally set for redemption), give notice to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice by written notice to the Paying Agent on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such Redemption Notice was originally provided.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered (the "Transfer Amount"). Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "— Defeasance" herein, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust as provided under the heading "—Defeasance" herein, so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds to be so redeemed.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust, as provided under the heading "—Defeasance" herein, for the payment of the redemption price of such Bonds or portions thereof and accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

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 neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of principal of, or interest or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or 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 Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 Bonds 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, Bond 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, Bond 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.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners" "Bond Owners" or "Holders" of the Bonds (other than under the captions "TAX MATTERS" and "APPENDIX A – FORM OF OPINION OF BOND COUNSEL") will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Registration, Exchange and Transfer of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described herein is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

The principal of the Bonds and any interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by either (i) check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date, or (ii) by wire transfer to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new bond or bonds of like series and tenor, and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon, and redemption premiums, if any) at or before their maturity date; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations, together with amounts transferred from the Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon, and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to such designated outstanding Bonds will cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or Moody's Investors Service ("Moody's").

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$40,000,000.00
Original Issue Premium	3,966,754.15
Total Sources	$43,966,754.15
Uses of Funds	
Building Fund	$39,855,000.00
Debt Service Fund	3,806,754.15
Costs of Issuance[1]	145,000.00
Underwriter's Discount	160,000.00
Total Uses	$43,966,754.15

[1] A portion of the proceeds of the Bonds will be used to pay costs of issuance thereof, including, but not limited to, legal fees, printing costs, rating agency fees, the costs and fees of the Paying Agent, and other costs of issuance of the Bonds.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem property taxes levied and collected by the County on taxable property in the District, which taxes are unlimited as to rate or amount. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and 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." Unsecured property comprises certain property not attached to land such as personal property or business property. Boats and airplanes are examples of such property. Unsecured property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus a minimum $10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of each county. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum $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 then subject to sale by the tax-collecting authority of such county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. 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 "— Tax Levies, Collections 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.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (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 and schools 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 tax assessing authority for the County, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the State Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

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

Property within the District has a total assessed valuation for fiscal year 2019-20 of $15,747,346,395. The following table shows 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 any exemptions granted after such date in each year.

ASSESSED VALUATIONS
Fiscal Years 2010-11 through 2019-20
Lucia Mar Unified School District

	Local Secured	Utility	Unsecured	Total	% Change[1]
2010-11	$10,800,280,840	$3,429,808	$187,608,957	$10,991,319,605	—
2011-12	10,589,605,679	3,429,808	177,693,444	10,770,728,931	(2.01)%
2012-13	10,628,688,158	813,528	189,648,499	10,819,150,185	0.45
2013-14	10,936,232,852	807,785	199,102,293	11,136,142,930	2.93
2014-15	11,633,502,798	789,042	198,080,850	11,832,372,690	6.25
2015-16	12,399,000,628	778,613	194,109,905	12,593,889,146	6.44
2016-17	13,181,700,535	745,491	200,023,436	13,382,469,462	6.26
2017-18	13,872,568,585	757,187	196,506,590	14,069,832,362	5.14
2018-19	14,702,877,722	740,474	211,772,946	14,915,391,142	6.01
2019-20	15,517,590,134	988,137	228,768,124	15,747,346,395	5.58

[1] Calculated by the District based on data provided by California Municipal Statistics, Inc.
Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

No assurance can be given that property tax appeals or actions by the county assessors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

[REMAINDER OF PAGE LEFT BLANK]

Assessed Valuation of Single Family Homes

The following table shows a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2019-20 assessed valuation, including the median and average per-parcel assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2019-20
Lucia Mar Unified School District

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	21,299	$11,005,437,338	$516,711	$461,625

2019-20 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	436	2.047%	2.047%	$15,348,234	0.139%	0.139%
50,000 - 99,999	811	3.808	5.855	58,955,843	0.536	0.675
100,000 - 149,999	752	3.531	9.385	94,481,343	0.858	1.534
150,000 - 199,999	1,169	5.489	14.874	205,865,980	1.871	3.404
200,000 - 249,999	1,475	6.925	21.799	332,976,707	3.026	6.430
250,000 - 299,999	1,397	6.559	28.358	383,673,170	3.486	9.916
300,000 - 349,999	1,363	6.399	34.758	442,533,745	4.021	13.937
350,000 - 399,999	1,433	6.728	41.486	537,418,677	4.883	18.820
400,000 - 449,999	1,474	6.921	48.406	625,711,862	5.685	24.506
450,000 - 499,999	1,482	6.958	55.364	703,163,504	6.389	30.895
500,000 - 549,999	1,348	6.329	61.693	707,330,856	6.427	37.322
550,000 - 599,999	1,249	5.864	67.557	717,511,141	6.520	43.842
600,000 - 649,999	1,128	5.296	72.853	704,773,973	6.404	50.246
650,000 - 699,999	972	4.564	77.417	654,945,553	5.951	56.197
700,000 - 749,999	762	3.578	80.994	551,133,493	5.008	61.205
750,000 - 799,999	693	3.254	84.248	536,323,365	4.873	66.078
800,000 - 849,999	631	2.963	87.211	520,106,381	4.726	70.804
850,000 - 899,999	507	2.380	89.591	442,716,388	4.023	74.826
900,000 - 949,999	396	1.859	91.450	365,666,173	3.323	78.149
950,000 - 999,999	377	1.770	93.220	366,850,185	3.333	81.482
1,000,000 and greater	1,444	6.780	100.000	2,037,950,765	18.518	100.000
Total	21,299	100.000%		$11,005,437,338	100.000%	

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

Assessed Valuation and Parcels by Land Use

The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2019-20 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2019-20
Lucia Mar Unified School District

	2019-20 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural	$415,892,345	2.68%	869	2.35%	828	2.46%
Commercial	742,924,481	4.79	1,254	3.39	1,231	3.65
Vacant Commercial	160,324,628	1.03	422	1.14	391	1.16
Hotel/Motel	386,990,052	2.49	107	0.29	107	0.32
Industrial	512,544,240	3.30	249	0.67	249	0.74
Vacant Industrial	32,774,705	0.21	60	0.16	59	0.18
Recreational	71,874,533	0.46	515	1.39	489	1.45
Government/Social/Institutional	32,236,677	0.21	733	1.98	34	0.10
Miscellaneous	35,313,947	0.23	1,042	2.81	262	0.78
Subtotal Non-Residential	$2,390,875,608	15.41%	5,251	14.18%	3,650	10.83%
Residential:						
Single Family Residence	$11,005,437,338	70.92%	21,318	57.58%	21,299	63.20%
Condominium/Townhouse/PUD	906,337,899	5.84	3,015	8.14	3,015	8.95
Mobile Home	211,124,279	1.36	2,633	7.11	2,593	7.69
Mobile Home Park	107,461,675	0.69	63	0.17	63	0.19
2-4 Residential Units	364,536,916	2.35	889	2.40	889	2.64
5+ Residential Units/Apartments	169,042,124	1.09	219	0.59	214	0.63
Timeshare	6,181,222	0.04	875	2.36	875	2.60
Miscellaneous Residential	4,649,301	0.03	60	0.16	56	0.17
Vacant Residential	351,943,772	2.27	2,698	7.29	1,048	3.11
Subtotal Residential	$13,126,714,526	84.59%	31,770	85.82%	30,052	89.17%
Total	$15,517,590,134	100.00%	37,021	100.00%	33,702	100.00%

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

Assessed Valuation by Jurisdiction

The following table shows the fiscal year 2019-20 assessed valuation of the District by jurisdiction.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2019-20
Lucia Mar Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Arroyo Grande	$3,222,329,048	20.46%	$3,222,329,048	100.00%
City of Grover Beach	1,816,621,652	11.54	1,816,621,652	100.00
City of Pismo Beach	2,919,320,652	18.54	3,570,221,656	81.77
Unincorporated San Luis Obispo County	7,789,075,043	49.46	27,450,459,947	28.38
Total District	$15,747,346,395	100.00%		
San Luis Obispo County	$15,747,346,395	100.00%	$57,417,344,452	27.43%

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE LEFT BLANK]

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year, and if unpaid, become delinquent after December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment plus a minimum $10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of each county. See "— Ad Valorem Property Taxation" herein.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer-Tax Collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due. See "— Alternative Method of Tax Apportionment – 'Teeter Plan'" and "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein.

The following table shows secured tax levies and delinquencies within the District, and amounts delinquent as of June 30, for fiscal years 2009-10 through 2018-19. For the 1% general purpose property tax apportionment, the delinquency rates shown below represent countywide delinquencies.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2009-10 through 2018-19
Lucia Mar Unified School District

	Secured Tax Charge(1)	Amt. Del. June 30(1)	% Del. June 30(1)
2009-10	$42,245,027.52	$1,507,386.20	3.57%
2010-11	41,828,811.25	1,185,720.14	2.83
2011-12	41,147,808.25	793,478.30	1.93
2012-13	41,091,912.14	592,221.21	1.44
2013-14	42,649,987.74	509,454.30	1.19
2014-15	45,668,275.82	510,878.16	1.12
2015-16	48,293,082.93	456,265.58	0.94
2016-17	51,468,761.15	484,107.28	0.94
2017-18	54,152,967.77	522,559.20	0.96
2018-19	57,280,060.51	536,320.80	0.94

	Secured Tax Charge(2)	Amt. Del. June 30(2)	% Del. June 30(2)
2009-10	$3,085,619.38	$97,014.75	3.14%
2010-11	3,112,855.32	83,092.74	2.67
2011-12	3,130,641.10	52,909.63	1.69
2012-13	4,151,158.80	54,849.66	1.32
2013-14	4,383,931.52	52,905.10	1.21
2014-15	4,779,696.64	57,062.62	1.19
2015-16	5,034,951.56	51,391.26	1.02
2016-17	5,234,308.98	41,413.27	0.79
2017-18	11,302,309.55	91,141.21	0.81
2018-19	11,834,696.11	90,778.47	0.77

(1) 1% General fund apportionment.
(2) General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – "Teeter Plan"

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected that would have been due to the local agency.

The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county.

The County has adopted the Teeter Plan, and, as adopted by the County, the Teeter Plan includes the general purpose secured property tax levy as well as the secured ad valorem property tax levy for the District's general obligation bonds, including the Bonds. As a result, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies).

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy ad valorem property taxes sufficient to pay the Bonds when due.

Tax Rates

A representative tax rate area ("TRA") located within the District is TRA 1-000. The table below shows the total ad valorem property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA during the five-year period from fiscal years 2015–16 through 2019–20.

SUMMARY OF AD VALOREM PROPERTY TAX RATES
Fiscal Years 2015–16 through 2019–20
Lucia Mar Unified School District

TRA 1-000 (2019–20 Assessed Valuation: $2,185,161,621)

	2015–16	2016–17	2017–18	2018–19	2019–20
County General Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
State Water Project	.003740	.004000	.004000	.004000	.004000
City of Arroyo Grande	.005560	—	—	—	—
Lucia Mar Unified School District	.040940	.039940	.081940	.080940	.072340
San Luis Obispo Community College District	.019250	.019250	.019250	.019250	.019250
San Luis Obispo County Flood Zone 3	.009820	.008820	.007320	.004890	.004890
Total Tax Rate	1.079310%	1.072010%	1.112510%	1.109080%	1.100480%

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE LEFT BLANK]

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 tables list the 20 largest local secured taxpayers in the District in terms of their fiscal year 2019-20 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation 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 2019-20
Lucia Mar Unified School District

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total[1]
1.	Phillips 66 Company	Oil & Gas Production	$141,584,696	0.91%
2.	Teixeira Brothers Land LP	Agricultural	96,504,916	0.62
3.	Pismo Beach Mobile Home Park	Mobile Home Park	76,350,323	0.49
4.	Sphear Investments LLC	Shopping Center	62,855,086	0.41
5.	Heber D. Perrett, Trust	Agricultural	47,031,477	0.30
6.	Bank of America NA Trust	Agricultural	40,040,365	0.26
7.	WM Pismo Beach Holdings LLC	Mobile Home Park	37,916,950	0.24
8.	Lakota Resources	Agricultural	36,312,915	0.23
9.	Prime Outlets at Pismo Beach LLC	Commercial	31,881,903	0.21
10.	Shea Homes LP	Residential Development	31,153,598	0.20
11.	Chamisal Vineyards LLC	Agricultural	28,139,994	0.18
12.	Core Pismo LLC	Hotel/Motel	26,121,579	0.17
13.	SCM Pismo Beach Hotel LLC	Hotel/Motel	24,263,671	0.16
14.	Pismo Beach Hotel Investments LLC	Hotel/Motel	22,994,552	0.15
15.	Vons Companies Inc.	Supermarket	22,464,906	0.14
16.	Bolsa Chica Mobile Estates Inc.	Mobile Home Park	21,181,120	0.14
17.	Silva Land Co. Inc.	Hotel/Motel	20,324,019	0.13
18.	Laetitia Vineyard & Winery Inc.	Vineyards	20,259,849	0.13
19.	Castleblack Pismo Beach Owner LLC	Hotel/Motel	17,922,782	0.12
20.	Cypress Ridge Golf Course LLC	Golf Course	17,686,618	0.11
			$822,991,319	5.30%

(1) The District has a fiscal year 2019-20 local secured assessed valuation of $15,517,590,134.
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., effective as of May 1, 2020 for debt issued as of April 8, 2020. 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.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Lucia Mar Unified School District

2019-20 Assessed Valuation: $15,747,346,395

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/20
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	89.228%	$6,268,267
San Luis Obispo Community College District	26.945	31,959,465
Lucia Mar Unified School District	100.000	86,066,576[1]
City of Grover Beach	100.000	26,575,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$150,869,308
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Luis Obispo County Certificates of Participation	27.426%	$11,541,860
San Luis Obispo County Pension Obligation Bonds	27.426	10,144,464
Lucia Mar Unified School District Certificates of Participation	100.000	18,521,675
City of Arroyo Grande General Fund Obligations	100.000	1,354,566
City of Grover Beach General Fund Obligations	100.000	598,980
City of Pismo Beach General Fund Obligations	81.769	9,141,794
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$51,303,339
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$7,935,000
COMBINED TOTAL DEBT		$210,107,647[2]

Ratios to 2019-20 Assessed Valuation:
- Direct Debt ($86,066,576) 0.55%
- Total Direct and Overlapping Tax and Assessment Debt 0.96%
- Combined Direct Debt ($104,588,251) 0.66%
- Combined Total Debt 1.33%

Ratio to Redevelopment Incremental Valuation ($686,817,001):
- Total Overlapping Tax Increment Debt 1.16%

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and to the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of ad valorem property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA 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 XIIIA 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. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA 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 XIIIA 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 fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any state taxes for the purpose of increasing tax revenues.

Split Roll Property Tax Ballot Measures. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "Ballot Measure 1851"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1851 would amend Article XIIIA such that the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, Ballot Measure 1851 would not affect the "full cash value" of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Ballot Measure 1851, approximately 40% of the remaining additional tax revenues generated as a result of Ballot Measure 1851 would be deposited into a fund created pursuant to Ballot Measure 1851 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State's constitutional minimum funding requirement.

Proponents of Ballot Measure 1851 subsequently announced a revised version of its ballot initiative which has since been circulated for signature (the "Ballot Measure 1870" and, together with Ballot Measure 1851, the "Split Roll Measures"). According to a random sample released by the Secretary of State, Ballot Measure 1870 has received sufficient signatures, if deemed valid, for Ballot Measure 1870 to become eligible for the November 2020 Statewide ballot. Like Ballot Measure 1851, Ballot Measure 1870 would similarly amend the determination of "full cash value" of commercial and industrial real property, however the Split Roll Measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools.

The District cannot predict whether Ballot Measure 1870 will qualify for the November 2020 Statewide ballot, whether either Split Roll Measure will appear on the Statewide ballot at the November 2020 election or, if either does, whether such Split Roll Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of either Split Roll Measure will have on District revenues or the assessed valuation of real property in the District.

Property Tax Base Transfer Ballot Measure. On April 22, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot ("Ballot Measure 1864"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1864 would: (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 a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot predict whether Ballot Measure 1864 will appear on the Statewide ballot at the November 2020 election or, if it does, whether Ballot Measure 1864 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Ballot Measure 1864 will have on assessed valuation of real property in the District.

Legislation Implementing Article XIIIA

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

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

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution 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 percent 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 percent 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 percent 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 XIIIA of the State Constitution 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.

Intra-county transfers under Proposition 171 are more restrictive than inter-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 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent 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 State Board of Equalization (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 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 school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Community Funded Districts" herein.

Article XIIIB of the California Constitution

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

(a) "change in the cost of living" with respect to school 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 to mean the percentage change in the ADA of the school 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 XIIIB, as amended.

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (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 XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent 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" below.

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

According to the "Title and Summary" of Proposition 218 prepared by the 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 XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

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 the 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, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which 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 Governor'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 Limit Act of 1990" ("Proposition

111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in 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 XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

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

Proposition 39

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

The 55% vote of Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election would not exceed $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district) when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, 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 (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – 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 full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 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. 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 expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Jarvis vs. 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 Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 2

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

Under Proposition 2, 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 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the 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 changes 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 XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would 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 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

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

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

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance by the State of $9 billion in general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at $3 million for a new facility and $1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, 51, 55 and 98 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.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

State Funding of Education

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

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts are funded based on uniform funding grants assigned to certain grade spans. See "— Local Control Funding Formula" herein.

The following table reflects the District's historical ADA and the revenue limit rates per unit of ADA for fiscal years 2007-08 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2007-08 through 2012-13
Lucia Mar Unified School District

Fiscal Year	Average Daily Attendance[1]	Change	Base Revenue Limit Per ADA[2]	Deficit Revenue Limit Per ADA[2]
2007-08	10,268	—	$5,800	$5,800
2008-09	10,243	(25)	6,129	5,648
2009-10	10,176	(67)	6,391	5,218
2010-11	10,119	(57)	6,388	5,223
2011-12	10,154	35	6,531	5,186
2012-13	10,099	(55)	6,745	5,243

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).
Source: Lucia Mar Unified School District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), as amended by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), established the current system for funding school districts, charter schools and county offices of education.

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "— State Budget Measures" herein for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2019-20
Lucia Mar Unified School District

	Average Daily Attendance[(1)]						
Fiscal Year	K-3	4-6	7-8	9-12	Total District ADA	Total District Enrollment[(2)]	% of EL/LI Enrollment
2013-14	3,053	2,206	1,584	3,363	10,206	10,634	53.56%
2014-15	3,080	2,259	1,504	3,430	10,273	10,710	51.61
2015-16	3,022	2,319	1,473	3,418	10,232	10,704	52.53
2016-17	2,965	2,320	1,550	3,322	10,158	10,649	48.30
2017-18	2,962	2,274	1,572	3,221	10,029	10,550	50.80
2018-19	2,910	2,214	1,542	3,214	9,880	10,363	51.47
2019-20	2,838	2,158	1,592	3,217	9,805	10,267	51.71

(1) Reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020.

(2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and is used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the current fiscal year and the two immediately preceding fiscal years.

Source: Lucia Mar Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

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

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

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

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three-year period were required to be adopted beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

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

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

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

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, parcel taxes, foundation revenues, Developer Fees (as described below), redevelopment revenue, and other local sources.

Developer Fees. The District receives developer fees (the "Developer Fees") for residential and commercial development within the District's boundaries. The Developer Fees are deposited into the District's Capital Facilities Fund. The District received $2,160,545, $2,297,227, $2,143,999 and $1,785,945 in Developer Fees in fiscal years 2015-16, 2016-17, 2017-18 and 2018-19, respectively, and has projected receipt of $1,460,000 in Developer Fees in fiscal year 2019-20. The District, however, can make no representations that the Developer Fees will continue to be received by the District in amounts consistent with prior years.

Outbreak of Disease; Coronavirus.

An outbreak of disease or similar public health threat, such as the novel coronavirus ("COVID-19") outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results.

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed by the President of the United States. The CARES Act appropriates over $2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor of the State has enacted Executive Order N-26-20 ("Executive Order N-26-20"), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117") were signed by the Governor, both of which take effect immediately. SB 89 amends the Budget Act of 2019 by appropriating $500,000,000 from the State general fund for any purpose related to the Governor's March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates $100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites. The District has closed its schools commencing March 16, 2020, through the end of the current school year and has implemented distance learning programs for its students during such period of closure. The District is in compliance with the provisions of Executive Order N-26-20 required of it in order to receive funding from the State at levels that existed prior to such closure.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the "Stay Home Order").

To date there have been a number of confirmed cases of COVID-19 in San Luis Obispo County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District's schools). See "INTRODUCTION - General" herein. The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. See "—State Budget Measures," "TAX BASE FOR REPAYMENT OF BONDS - Assessed Valuations" and "— Alternative Method of Tax Apportionment - 'Teeter Plan'" herein. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "LUCIA MAR UNIFIED SCHOOL DISTRICT - District Retirement Systems" herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov) and the California Department of Public Health (https://covid19.ca.gov/). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or average daily attendance within the District and, notwithstanding Executive Order N-26-20 or SB 117, materially adversely impact the financial condition or operations of the District. See "— State Budget Measures" and "TAX BASE FOR REPAYMENT OF BONDS - Assessed Valuations" herein.

As of May 18, 2020, the District has received $1,009,975 pursuant to the CARES Act and $171,697 pursuant to SB 117.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos ("Matosantos"), finding ABX1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABX1 27, a companion bill to ABX1 26, violated the State Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Proposition 1A and Proposition 22" herein. ABX1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the State Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities, including the District. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which any apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies or any other surplus property tax revenues pursuant to the Dissolution Act.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reporting. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the subsequent two fiscal years.

The District has never had an adopted budget disapproved by the County Superintendent of Schools. From the second interim report in fiscal year 2007-08 through the second interim report in fiscal year 2011-12, all of the District's interim reports had qualified certifications. All interim reports since the first interim report in fiscal year 2012-13 have had positive certifications.

Budgeting Trends. The table on the following page summarizes the District's general fund adopted budgets for fiscal years 2016-17 through 2019-20, audited ending results for fiscal years 2016-17 through 2018-19, and projected totals for fiscal year 2019-20. The projected totals for fiscal year 2019-20 do not factor the impact of COVID-19 on the District's general fund for such fiscal year. The District cannot make any assurance that the District's 2019-20 general fund budgeted results will be commensurate with what is presented below. See "—State Budget Measures" herein.

[REMAINDER OF PAGE LEFT BLANK]

GENERAL FUND BUDGETING
Fiscal Years 2016–17 through 2019–20
Lucia Mar Unified School District

	Fiscal Year 2016–17		Fiscal Year 2017–18		Fiscal Year 2018–19		Fiscal Year 2019–20	
	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[2]	Projected[2]
REVENUES								
Local Control Funding Formula	$90,266,094	$90,495,799	$92,161,446	$92,392,392	$96,725,495	$97,144,404	$98,902,809	$99,165,588
Federal sources	4,754,373	4,818,678	5,098,396	4,771,972	5,109,800	4,077,718	5,201,501	5,417,379
Other State sources	10,035,920	11,248,485	9,402,105	10,964,971	9,804,839	17,388,872	8,658,388	9,778,974
Other local sources	2,807,439	5,196,208	3,051,358	4,148,058	2,844,780	5,058,123	2,591,710	3,656,173
Total Revenues[3]	107,863,826	111,759,170	109,713,305	112,277,393	114,484,914	123,669,117	115,354,408	118,018,113
EXPENDITURES								
Current								
Certificated salaries	48,887,311	50,575,726	49,917,704	51,754,217	50,866,480	52,304,804	51,900,557	53,120,596
Classified salaries	15,790,415	16,094,698	16,492,469	17,278,216	17,296,875	17,792,691	17,881,963	18,930,880
Employee benefits	24,486,190	25,798,113	26,764,166	27,686,322	28,709,311	34,045,110	30,479,070	31,207,938
Books and supplies	8,643,444	6,474,066	5,591,363	6,955,471	5,958,669	5,741,792	5,607,959	7,834,418
Services and operating expenditures	11,487,818	7,844,744	9,689,215	8,593,884	9,764,126	9,617,452	10,216,351	12,257,728
Capital outlay	2,845,100	1,027,333	684,294	2,057,347	272,930	1,304,083	205,629	550,744
Other outgo	2,364,320	1,384,413	1,334,437	1,470,820	1,628,841	1,663,823	2,882,195	2,874,753
Debt service								
Principal	422,031	422,030	475,825	475,824	521,457	533,444		
Interest	558,759	558,758	541,212	541,211	533,445	521,457		
Total Expenditures[3]	115,485,388	110,179,881	111,490,685	116,813,312	115,552,134	123,524,656	119,173,724	126,777,057
Excess (Deficiency) of Revenues Over Expenditures	(7,621,562)	1,579,289	(1,777,380)	(4,535,919)	(1,067,220)	144,461	(3,819,316)	(8,758,944)
Other Financing Sources (Uses)								
Transfers out	—	—	—	—	—	(17,632)	(50,000)	—
Net Financing (Uses)	—	—	—	—	—	(17,632)	(50,000)	—
NET CHANGE IN FUND BALANCES	(7,621,562)	1,579,289	(1,777,380)	(4,535,919)	(1,067,220)	126,829	(3,869,316)	(8,758,944)
Fund Balance – Beginning	21,569,896	21,569,896	23,149,185	23,149,185	18,613,266	18,613,266	18,740,094	18,740,094
Fund Balance – Ending	$13,948,334	$23,149,185	$21,371,805	$18,613,266	$17,546,046	$18,740,095	$14,870,778	$9,981,150

(1) From the District's audited financial statements for fiscal years 2016–17 through 2018–19, respectively.
(2) From the District's fiscal year 2019–20 Second Interim Financial Report, approved by the Board on March 3, 2020. Reflects combined unrestricted and restricted general fund. All amounts rounded to nearest whole number.
(3) On behalf payments of $4,462,196 are included in the actual revenues and expenditures for fiscal year 2018–19, but have not been included in the budgeted amounts for such year.
Source: Lucia Mar Unified School District.

Accounting Practices

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

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2019 and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 602 Orchard Street, Arroyo Grande, California 93420, telephone: (805) 474-3000. The audited financial statements for the year ended June 30, 2019 are attached hereto as APPENDIX B.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2014-15 through fiscal year 2018-19.

[REMAINDER OF PAGE LEFT BLANK]

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE[1]
Fiscal Years 2014–15 through 2018–19
Lucia Mar Unified School District

	2014–15	2015–16	2016–17	2017–18	2018–19
REVENUES					
Local Control Funding Formula	$76,342,143	$85,587,347	$90,495,799	$92,392,392	$97,144,404
Federal sources	4,852,047	5,290,579	4,818,678	4,771,972	4,077,718
Other State sources	6,928,835	13,506,555	11,248,485	10,964,971	17,388,872
Other local sources	5,054,122	5,070,003	5,196,208	4,148,058	5,058,123
Total Revenues	93,177,147	109,454,484	111,759,170	112,277,393	123,669,117
EXPENDITURES					
Current					
Instruction	61,227,679	66,381,097	70,898,970	73,942,758	77,423,862
Instruction-related activities:					
Supervision of instruction	1,638,657	1,746,460	2,958,206	3,109,036	3,331,499
Instructional library, media, and technology	517,078	660,059	714,020	711,667	805,700
School site administration	6,190,215	6,832,738	7,358,503	7,766,961	8,343,468
Pupil services:					
Home-to-school transportation	2,031,779	2,203,019	2,310,696	3,146,179	2,783,556
Food services	—	1,461	7,490	59,400	65,109
All other pupil services	5,052,479	5,895,292	6,815,047	7,176,324	7,833,754
Administration:					
Data processing	1,357,214	2,798,114	1,625,931	1,744,523	1,972,575
All other administration	3,374,606	3,530,900	3,784,383	4,336,328	4,896,896
Plant services	7,591,157	8,594,266	9,270,555	9,624,513	10,710,950
Facilities acquisition and maintenance	321,894	434,788	589,691	1,142,153	955,946
Ancillary services	1,183,442	1,103,666	1,205,380	1,239,372	1,348,307
Community services	134,161	145,391	117,733	137,373	154,363
Other outgo	1,886,644	1,281,261	1,542,488	1,659,690	1,843,770
Debt service					
Principal	252,998	454,278	422,030	475,824	533,444
Interest and other	295,657	565,908	558,758	541,211	521,457
Total expenditures	93,055,660	102,628,698	110,179,881	116,813,312	123,524,656
Excess (Deficiency) of Revenues Over (Under) Expenditures	121,487	6,825,786	1,579,289	(4,535,919)	144,461
Other Financing Sources (Uses)					
Transfers Out	—	—	—	—	(17,632)
Net Financing Sources (Uses)	—	—	—	—	(17,632)
NET CHANGE IN FUND BALANCE	121,487	6,825,786	1,579,289	(4,535,919)	126,829
Fund Balance – Beginning	14,622,623	14,744,110	21,569,896	23,149,185	18,613,266
Fund Balance – Ending	$14,744,110	$21,569,896	$23,149,185	$18,613,266	$18,740,095

(1) From the District's comprehensive audited financial statements for fiscal years 2014–15 through 2018–19, respectively. Reflects combined unrestricted and restricted general fund. All amounts rounded to nearest whole number.
Source: Lucia Mar Unified School District

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. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof on taxable property within the boundaries of the District. See "THE BONDS – Security and Sources of Payment" herein.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from summaries of the 2019-20 Budget prepared by the State Department of Finance (the "DOF") and the LAO.

For fiscal year 2018-19, the 2019-20 Budget projected total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State was projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projected total general fund revenues and transfers of $143.8 billion and authorized expenditures of $147.8 billion. The State was projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorized a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2. The amount was projected to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751" herein.

For fiscal year 2019-20, the 2019-20 Budget set the minimum funding guarantee at $81.1 billion. With respect to K-12 education, ongoing per-pupil spending was set at $11,993. Other significant features with respect to K-12 education funding include the following:

- Local Control Funding Formula – An increase of $1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) $8,503 for grades K-3, (ii) $7,818 for grades 4-6, (iii) $8,050 for grades 7-8, and (iv) $9,572 for grades 9-12. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

- Settle-Up Payment – An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- Special Education – $645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocated (i) $152.6 million to provide all special education local plan areas at least the Statewide target rate for base special education funding, and (ii) $492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- Pension Costs – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9% in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "LUCIA MAR UNIFIED SCHOOL DISTRICT – District Retirement Systems" herein.

- After School Programs – $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- Teacher Support – $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also included $89.8 million in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- Broadband Infrastructure – $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- Full-Day Kindergarten – $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- Wildfire-Related Cost Adjustments – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also held both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- Proposition 51 – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2020-21 Budget. On January 10, 2020, the Governor released his proposed State budget for fiscal year 2020-21 (the "Proposed 2020-21 Budget"). The following information is drawn from the summaries of the Proposed 2020-21 Budget prepared by the DOF and the LAO.

For fiscal year 2019-20, the Proposed 2020-21 Budget projects total general fund revenues and transfers of $146.5 billion and total expenditures of $149.7 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $20 billion, including $3.1 billion in the traditional general fund reserve, $16 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs. The Proposed 2020-21 Budget also increases the deposit into the PSSSA by $147.7 million, for a total of $524 million, in order to comply with Proposition 2. The amount continues to be below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751" herein.

For fiscal year 2020-21, the Proposed 2020-21 Budget projects total general fund revenues and transfers of $151.6 billion and authorizes expenditures of $153.1 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of $20.5 billion, including $1.6 billion in the traditional general fund reserve, $18 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Proposed 2020-21 Budget projects a balance in the PSSSA of $487 million for the 2020-21 fiscal year. This amount is below the amount required to trigger certain maximum local reserve levels for school districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751" herein. Pursuant to the provisions of Proposition 2, the Proposed 2020-21 Budget also projects a draw on the PSSSA of approximately $37.6 million.

The Proposed 2020-21 Budget makes certain revisions to Proposition 98 funding levels set by prior budgetary legislation. For fiscal year 2018-19, the minimum funding guarantee is revised to $78.4 billion, an increase of $301.5 million from prior levels. For fiscal year 2019-20, the minimum funding guarantee is revised to $81.6 billion, an increase of $517 million from the prior level. These increases are due largely to increases in property tax revenues in fiscal year 2018-19, and increases in State general fund revenues in both fiscal years.

For fiscal year 2020-21, the Proposed 2020-21 Budget sets the minimum funding guarantee at $84 billion, an increase of approximately $2.6 billion over the revised prior year level. With respect to K-12 education, ongoing per-pupil spending is set at $17,964. Due to the year-to-year growth in State revenues and a projected decline in ADA, fiscal year 2020-21 is projected to be a "Test 1" year. Other significant features with respect to K-12 education funding include the following:

- Local Control Funding Formula – An increase of $1.2 billion in Proposition 98 funding for the LCFF, reflecting a 2.29% COLA. This would bring total LCFF funding to $64.2 billion. The Proposed 2020-21 Budget also includes $600,000 in one-time Proposition 98 funding to improve LCFF fiscal accountability by making Statewide LCAP information more accessible to the public. Finally, the Proposed 2020-21 Budget includes an increase of $5.7 million in LCFF funding for county offices of education, reflecting a 2.29% COLA.

- Categorical Programs – An increase of $122.4 million in Proposition 98 funding for categorical programs that remain outside the LCFF, reflecting a 2.29% COLA.

- Special Education – A new special education base funding formula using a three-year rolling average of local educational agency ADA allocated to special education local plan areas. This funding level would include a 15% increase in the Proposition 98 contribution to the funding rate provided in the prior year's budgetary legislation. The Proposed 2020-21 Budget also includes an additional $250 million in ongoing Proposition 98 funding based on the number of children between ages three and five with exceptional needs. Funding would be allocated on a one-time basis to school districts based on the number of preschool-age children with disabilities.

- Educator Recruitment and Professional Development – $900 million in one-time Proposition 98 funding for six initiatives aimed at improving school employee training, recruitment and retention.

- Community Schools – $300 million in one-time Proposition 98 funding to implement community school models which typically integrate health, mental health and other services for students and families and provides these services directly on school campuses.

- Opportunity Grants – $300 million in one-time Proposition 98 funding to establish opportunity grants for low-performing schools and school districts and to expand the Statewide system of support therefor.

- Computer Science – $15 million in one-time Proposition 98 funding for grants to local educational agencies to support K-12 teachers earning a supplemental authorization to their teaching credential to teach computer science. The Proposed 2020-21 Budget also provides $2.5 million in one-time Proposition 98 funding for county offices of education to identify, compile and share resources for computer science professional development, curriculum and best practices.

- School Nutrition – $60 million in Proposition 98 funding to increase funding for school nutrition. Additionally, the Proposed 2020-21 Budget includes $10 million in Proposition 98 funding to provide training for school food service workers.

- School Facilities – $400 million in one-time, non-Proposition 98 funding for eligible school districts to construct new, or to retrofit existing, facilities for full-day kindergarten programs.

- Proposition 51 – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2020-21 Budget, see the DOF website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

The Proposed 2020-21 Budget was prepared prior to the COVID-19 outbreak, and the projections included therein did not account for any of the negative economic impacts to date associated with the outbreak, nor any potential impacts yet to be realized. See "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein. The May revision (the "May Revision") to the Proposed 2020-21 Budget reflects, and the final budget approved by the Legislature could reflect, significantly lower projections of State revenues or higher projections of State expenditures, with attendant effects on State funding of education.

May Revision. On May 14, 2020, the Governor released his May Revision to the Proposed 2020-21 Budget. The following information is drawn from the LAO's summary of the May Revision, as well as certain information from the LAO's preliminary response to the May Revision.

The May Revision acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State's economy, including nearly 4 million unemployment claims from mid-March through May 9, 2020. While job losses have occurred in nearly every sector, the May Revision indicates that losses have been most acute in leisure and hospitality, retail and personal services. Lower wage workers have also disproportionately borne the impact of job losses. The May Revision projects that the 2020 unemployment rate will peak at approximately 24.5% in the second quarter of 2020. Average wages in most sectors are also projected to decline as firms freeze hiring, postpone bonus and salary increases and cut work hours. The economic consequences of the pandemic are also expected to negatively impact other sources of income beyond wages and salaries. California personal income, which includes income from wages and salaries, businesses ownership, property ownership and government transfers is expected to decrease by 9 percent (or $230 billion) in 2020, and is not projected to return to pre-pandemic levels until fiscal year 2022-23.

As compared to the projections included in the Proposed 2020-21 Budget, the State's three main revenues sources are projected to decline as follows: (i) personal income taxes by $33 billion, (ii) sales and use tax receipts by $10 billion, and (iii) corporation taxes by $5 billion. The May Revision projects that total State general fund revenues will decline by $41.2 billion from the projected level included in the Proposed 2020-21 Budget, including $9.7 billion allocable to fiscal year 2019-20 and $32 billion allocable to fiscal year 2020-21. The May Revision also anticipates that the State budget will face higher direct costs associated with responding to the COVID-19 outbreak and higher caseload-related costs to State safety net programs in light of worsening economic conditions. Collectively, these revenue reductions and cost increases are projected to result in an overall State budget deficit of approximately $54.3 billion, absent the implementation of the May Revision's proposals.

The May Revision proposes a number of measures intended to address the projected deficit:

- Baseline Adjustments – The May Revision includes two "baseline" adjustments that do not require changes to current law in order to implement. Specifically, the May Revision would (i) recognize $4.3 billion in State general fund budgetary solutions as a result of recent federal congressional approval for a temporary increase in the federal government's share of State Medicaid costs, and (ii) remove or modify $2.1 billion in new spending proposals previously included in the Proposed 2020-21 Budget.

- Draw Down of Reserves – The May Revision would draw down $16.2 billion of funds in the BSA over three fiscal years, including $7.8 billion in fiscal year 2020-21, and allocate the Safety Net Reserve Fund to offset increased health and human services costs.

- Increase Revenues – The May Revision would temporarily suspend corporate net operating loss tax deductions and limit business tax credits, with an estimated increase in tax revenues of $4.4 billion in fiscal year 2020-21.

- Adjust K-14 Spending – As a result of the projected drop in State general fund revenues, the May Revision projects a resulting drop in the Proposition 98 minimum funding guarantee (as further discussed herein). The May Revision proposes to reduce K-14 funding accordingly, resulting in State general fund savings of approximately $16.5 billion.

- Reduced Spending – The May Revision proposes a number of flat reductions across programs or rates in several areas, with an estimated $4.9 billion in savings. Approximately $3.6 billion of these cuts are subject to being "triggered" off if sufficient federal funding is received. The May Revision also proposes approximately $5.6 billion of targeted reductions to certain programs or benefit levels, of which $2.3 billion is subject to triggers.

- Cost Shifts – The May Revision proposes $3.3 billion in loans and transfers from special funds. The May Revision also proposes approximately $1.7 billion in pension-related proposals that would shift certain State CalPERS and CalSTRS costs.

- Federal Funds – The United States Congress recently established the Coronavirus Relief Fund ("CRF") to provide state, local, tribal and territorial governments money for necessary public health expenditures incurred in connection with the COVID-19 outbreak. California is eligible for approximately $9.5 billion from the CRF, and the May Revision assumes that the State can use $3.8 billion to offset underlying State costs. The May Revision proposes to remit the balance of these funds to local educational agencies ($4 billion), counties ($1.3 billion) and cities ($450 million).

For fiscal year 2019-20, the May Revision projects total general fund revenues and transfers of $136.8 billion and authorizes expenditures of $146.5 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $17.1 billion, including $16.2 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the May Revision projects total general fund revenues and transfers of $137.4 billion and authorizes expenditures of $133.9 billion.

The State is projected to end the 2020-21 fiscal year with total available general fund reserves of $10.8 billion, including $1.96 billion in the traditional general fund reserve, $8.4 billion in the BSA and $450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 outbreak, the May Revision estimates that the Proposition 98 minimum funding guarantee will decline by approximately $19 billion from the level included in the Proposed 2020-21 Budget. This is equal to an approximate 23% reduction in the guarantee from the prior-year level. Moreover, as a result of declining ADA projections and per-capita income numbers, the May Revision projects that, absent remedial action, the minimum funding guarantee will stay at a depressed level throughout the May Revision's revenue forecast.

The May Revision proposes several measures intended to ameliorate the immediate impact of COVID-19 to education funding, including (i) temporary revenue increases, as discussed above, which are projected to result in additional State general fund revenues that count toward the minimum funding guarantee, (ii) a one-time investment of $4.4 billion in federal relief funds, as previously discussed, to local educational agencies to address learning losses related to COVID-19, and (iii) redirecting funds previously allocated towards prefunding accrued CalSTRS and CalPERS liabilities, and instead applying those funds to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22.

The May Revision also proposes a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately $13 billion, and reflects the administration's estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State would make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue, and could be allocated to any school or community college program. The May Revision also proposes to recalibrate the Proposition 98 funding formula so that a portion of these supplemental payments would increase K-14 education funding on a permanent basis. Specifically, the May Revision proposes increasing the share of State general fund revenue required to be spent on K-14 community college districts from 38% to 40%.

Other significant features of K-12 education funding in the May Revision include the following:

- Local Control Funding Formula - Absent additional federal funds, the May Revision projects a required reduction to LCFF funding of $6.5 billion, including the elimination of the previously-proposed 2.31% COLA. The May Revision also proposes apportionment deferrals in fiscal year 2019-29 of approximately $1.9 billion to the following fiscal year, and an additional $3.4 billion in fiscal year 2020-21. The May Revision also includes provisions that would exempt local educational agencies from apportionment deferrals that create a documented hardship.

- Rate Increases and Programmatic Expansions - The May Revision rescinds approximately $1.8 billion in funding increases and programmatic expansions in a number of areas, including but not limited to workforce development, community schools, special education preschool, teacher residency programs, credentialing and child nutrition. Additionally, the May Revision suspends the statutory COLA of 2.31% in fiscal year 2020-21 for all eligible programs.

- Categorical Programs - Absent additional federal funds, the May Revision provides for approximately $352.9 million in reductions to a wide variety of categorical programs.

Funding levels also reflect a decrease of $10.9 million in Proposition 98 funding for selected categorical programs, based on updated ADA estimates.

- Flexibilities for Local Educational Agencies – Recognizing the challenges that COVID-19 is creating at the local level, the May Revision includes provisions intended to provide local educational agencies with fiscal and programmatic flexibility, including (i) exemptions from apportionment deferrals (as discussed above), (ii) subject to public hearing, increases in inter-fund borrowing limits and (iii) authority to use proceeds from the sale of surplus property for one-time general fund purposes.

For additional information regarding the May Revision, see the DOF website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Future Actions and Events. The District cannot predict what 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. The COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. In addition, the outbreak could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein. The District cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 outbreak described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy ad valorem property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

LUCIA MAR UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the revenues generated by an ad valorem property tax required to be levied by the County on taxable property within the District for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Introduction

The District was established as a unified school district in 1965, and is located about 15 miles south of the City of San Luis Obispo. The District encompasses approximately 550 square miles in the County. The District operates 11 elementary schools, three middle schools, three high schools, one continuation high school and one adult education program, and serves a population of approximately 75,000 residents. For fiscal year 2019-20, the District has an ADA of 9,805 students, and taxable property within the District has an assessed valuation of $15,747,346,395.

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: Lucia Mar Unified School District, Attention: Superintendent, 602 Orchard Street, Arroyo Grande, California 93420.

Administration

The District is governed by a seven-member Board. Board members serve four-year terms, represent their respective trustee areas, and are elected at-large by voters within the District. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

BOARD OF EDUCATION
Lucia Mar Unified School District

Name	Office	Term Expires
Vicki Meagher	President	December 2020
Colleen Martin	Vice President	December 2022
Don Stewart	Clerk	December 2020
Vern Dahl	Member	December 2022
Dawn Meek	Member	December 2022
Chad Robertson	Member	December 2022
Dee Santos	Member	December 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board.

Andy Stenson, the current Superintendent of the District, has announced he will resign as Superintendent effective June 30, 2020. Beginning July 1, 2020, Andy Stenson will assume the role of Executive Director of Facilities, Maintenance and Operations for the District. On May 19, 2020, the Board appointed Paul Fawcett as the successor Superintendent, effective July 1, 2020. Brief biographies of the Superintendent, successor Superintendent and Assistant Superintendent, Business follow.

Andy Stenson, Superintendent (through June 30, 2020). Mr. Stenson was appointed to serve as the Superintendent of the District in 2018. Immediately prior thereto, Mr. Stenson served as the Assistant Superintendent, Business of the District since 2015. Mr. Stenson has previously held the positions of Assistant Superintendent of Curriculum, Principal, Assistant Principal and teacher, all at the District. Mr. Stenson earned a Bachelor's Degree in Elementary Education from Winona State University and a Master's Degree in Education Administration from Chapman University.

Paul Fawcett, Ed.D., Superintendent (effective July 1, 2020). Dr. Fawcett was appointed to serve as the Superintendent of the District on May 19, 2020, effective July 1, 2020. Dr. Fawcett joined the District in in 2016 as its Director of Special Education, and currently serves as the Assistant Superintendent, Human Resources. Dr. Fawcett earned a Bachelor's Degree in Human Development, Family Studies and Related Services from University of California, Davis; Master's Degrees in Educational Leadership and Administration and Educational, Instructional and Curriculum Supervision from California Polytechnic State University, San Luis Obispo; and a Doctorate of Education in Educational Leadership and Administration from University of California, Davis.

Jim Empey, Assistant Superintendent, Business Services. Mr. Empey was hired to serve as the Assistant Superintendent, Business Services of the District on March 5, 2019. Immediately prior thereto, Mr. Empey served as a Director of Curriculum since 2013. Mr. Empey has previously held the positions of Principal, Assistant Principal and teacher, all at the District. Mr. Empey earned a Bachelor's Degree in Physical Science and a Master's Degree in Education Administration from California Polytechnic State University, San Luis Obispo.

District Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 22.8:1 in grades K-3, 28.3:1 in grades 4-6, 29.4:1 in grades 7-8 and 24.7:1 in grades 9-12. The following table shows enrollment figures for the District for fiscal years 2010-11 through 2019-20.

HISTORICAL ENROLLMENT
Fiscal Years 2010-11 through 2019-20
Lucia Mar Unified School District

Fiscal Year	Enrollment[1]	Change in Enrollment
2010-11	10,564	–
2011-12	10,591	27
2012-13	10,567	(24)
2013-14	10,634	67
2014-15	10,710	76
2015-16	10,704	(6)
2016-17	10,649	(55)
2017-18	10,550	(99)
2018-19	10,363	(187)
2019-20	10,267	(96)

(1) For fiscal years 2010-11 through 2012-13, reflects certified enrollment as of the October report submitted to the California Basic Educational Data System ("CBEDS"). For fiscal years 2013-14 through 2019-20, reflects CALPADS enrollment.
Source: Lucia Mar Unified School District.

Labor Relations

The District currently employs approximately 534.70 full-time certificated employees, approximately 187.00 full-time classified employees, and approximately 285.11 part-time employees. District employees are represented by two bargaining units as noted below:

BARGAINING UNITS
Lucia Mar Unified School District

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Lucia Mar Unified Teachers Association	544	June 30, 2020
California School Employees Association, Local 275	406	June 30, 2020

Source: Lucia Mar Unified School 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 Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the 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. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. 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)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
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 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 hired after the Implementation Date 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, 2019, the contribution rate was 10250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date. For the fiscal year commencing July 1, 2020, the contribution rate will be 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date.

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

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

Effective Date	K-14 school districts
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 will be reflected in the June 30, 2020 actuarial valuation. For more information see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – State Budget" herein.

The District's contributions to STRS were \$3,942,703 in fiscal year 2014-15, \$4,913,554 in fiscal year 2015-16, \$6,131,903 in fiscal year 2016-17, \$7,177,713 in fiscal year 2017-18 and \$8,197,751 in fiscal year 2018-19. The District has projected a contribution of \$8,631,034 to STRS in fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. 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. The STRS Board-approved State supplemental contribution rate for fiscal year 2020-21 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

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 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, 2018 included 1,579 public agencies and 1,313 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. The employer contribution rate for fiscal year 2020-21 will be 22.68%, which reflects an initial actuarially determined rate of 23.35% that has been reduced by 0.67% pursuant to SB 90. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20 and will be 7% of such salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20 and will be 7% in fiscal year 2020-21. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred 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. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 is 19.721%. For more information see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS - State Budget" herein.

The District's contributions to PERS were $1,656,718 in fiscal year 2014-15, $1,254,228 in fiscal year 2015-16, $2,265,125 in fiscal year 2016-17, $2,695,330 in fiscal year 2017-18 and $3,278,091 in fiscal year 2018-19. The District has projected a contribution of $3,974,273 to PERS in fiscal year 2019-20.

For further information about the District's contributions to STRS and PERS, see "APPENDIX B - 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 12" attached hereto.

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 following table 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.

[REMAINDER OF PAGE LEFT BLANK]

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2018-19

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)]	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
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

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[(4)]	--[(4)]
2014-15	73,325	56,814	16,511	--[(4)]	--[(4)]
2015-16	77,544	55,785	21,759	--[(4)]	--[(4)]
2016-17	84,416	60,865	23,551	--[(4)]	--[(4)]
2017-18	92,071	64,846	27,225	--[(4)]	--[(4)]
2018-19[(5)]	99,528	68,177	31,351	--[(4)]	--[(4)]

(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) On April 21, 2020, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2020-21 and released certain actuarial information to be incorporated into the June 30, 2019 actuarial valuation to be released in the latter half of 2020.

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 Study"), 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 (the "2017 STRS Actuarial Valuation"), 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, 2015, through June 30, 2018) (the "2020 Experience Analysis"), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the "2019 STRS Actuarial Valuation"). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Study, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2019 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions, and actuarial asset gains recognized from the current and prior years, the 2019 STRS Actuarial Valuation reports that the unfunded actuarial obligation decreased by $1.5 billion since the 2018 STRS Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2019 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption and includes the $1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half of the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio. See "DISTRICT FINANCIAL INFORMATION – Outbreak of Disease; Coronavirus" herein.

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. 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.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include 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.

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 December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

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.

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as of June 30, 2019 does not reflect the State's additional payment of $660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2021-22 is projected to be 24.6%, with annual increases thereafter, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

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 STRS participants hired after the Implementation Date, 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 (currently, 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.

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2019, are as shown in the following table.

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
STRS	$85,098,739	$23,405,073	$6,470,947	$10,015,028
PERS	35,133,553	9,967,930	—	7,106,368
Total	$120,232,292	$33,373,003	$6,470,947	$17,121,396

Source: Lucia Mar Unified School District.

For additional information, see Notes 1, 9 and 12 to the fiscal year 2018-19 audited financial statements of the District, attached hereto as APPENDIX B.

Other Post-Employment Benefits

Benefits Plan. The District administers a single-employer defined benefit plan (the "Plan") that provides medical and dental insurance benefits (the "Benefits") to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full costs of the Benefits is covered by the Plan. The Board has the authority to establish and amend the Benefit terms as contained within the negotiated labor agreements. As of June 30, 2019, membership of the Plan consisted of 142 inactive employees or beneficiaries currently receiving Benefits payments, and 982 active employees who may become eligible for, but are not yet receiving, the Benefits. For more information regarding the Plan and the Benefits, see "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

Funding Policy. The contribution requirements of the Plan members and the District are established and may be amended by the District, the District's labor groups, and unrepresented groups. The District's funding policy for the Benefits is based on projected pay-as-you-go financing requirements, with an additional amount to prefund the Benefits as determined annually through agreements with the District, the District's labor groups and the unrepresented groups. The District contributed $2,097,641 towards the Benefits in fiscal year 2018-19. The District has projected a contribution of $1,216,566 towards the Benefits in fiscal year 2019-20. The District has not established an irrevocable trust to prefund its OPEB liability, and no prefunding of benefits has been made by the District.

Accrued Liability. The District has implemented Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions ("GASB No.

74") and Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB No. 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The actuarial study, dated as of August 15, 2019, (the "Study"), concluded that, as of June 30, 2019, the Total OPEB Liability (the "TOL") with respect to such Benefits, was $17,796,468, the Net OPEB Liability (the "NOL") was $17,796,468, and the preliminary Total OPEB Expense (the "TOE") for fiscal year ending June 30, 2019 to be $536,500. The District has a Fiduciary Net Position (the "FNP") of $0. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees' past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District's NOL, with deferred recognition provided for certain items. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB No. 74 replaces GASB Statements No. 43 and 57 and GASB No. 75 replaces GASB Statement No. 45.

Most of GASB No. 74 applies to plans administered through trusts, contributions 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 net OPEB Liability (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 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 No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (FNP) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District first recognized GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time. See also "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

Medicare Premium Payment Program

The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other post-employment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan Defined Benefit Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

For the year ended June 30, 2019, the District reported a liability of $636,137 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods ending June 30, 2018 and June 30, 2017, was 0.1662% and 0.1647%, respectively.

For fiscal year ended June 30, 2019, the District recognized OPEB expense of ($56,904). For additional information, see "APPENDIX B -2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 9" attached hereto.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District is currently a member of Self-Insured Schools of California Property and Liability Program ("SISC II") for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years, and there has not been a significant reduction in coverage from the prior year.

The District currently participates in Self-Insurance Program for Employees ("SIPE"), an insurance purchasing pool, for workers' compensation coverage. The intent of SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in pool.

The District is a member of Self-Insured Schools of California Health and Welfare Benefits Program ("SISC III") to provide employee health benefits. SISC is a shared risk pool comprised of various participating agencies.

See also "APPENDIX B - 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 11" attached hereto.

Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the SIPE, SISC II, and SISC III public entity risk pools, and the Central California Schools Financing Authority ("CCSFA") joint powers authorities ("JPAs"). The

District pays an annual premium to the applicable entity for its workers' compensation, property liability and health coverage. Payments for tax collections are exchanged with CCSFA. The relationship between the District, the pools and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the fiscal year ended June 30, 2019, the District made payments of $1,680,766, $824,250, and $14,105,196 to SIPE, SISC II, and SISC III, respectively. See also "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" attached hereto.

District Debt Structure

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

Long-Term Obligations. A schedule of changes in long-term debt for the fiscal year ended June 30, 2019, is shown below:

SCHEDULE OF LONG TERM DEBT
As of June 30, 2019
Lucia Mar Unified School District

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
General obligation bonds	$109,670,846	$536,581	$10,120,000	$100,087,427
Premium on issuance	6,647,933	—	319,832	6,328,101
Certificates of participation	7,070,000	—	5,335,000	1,735,000
Discount on issuance	(35,717)	—	(11,686)	(24,031)
Capital leases	13,058,589	—	533,444	12,525,145
Notes from direct borrowings and direct placements	—	5,120,000	—	5,120,000
Compensated absences	813,108	—	53,543	759,565
Supplemental Early Retirement Program – PARS	429,111	—	429,111	—
Net other post-employment benefits (OPEB) liability	18,628,828	—	196,223	18,432,605
	$156,282,698	$5,656,581	$16,975,467	$144,963,812

Source: Lucia Mar Unified School District.

General Obligation Bonds. The District received authorization at an election held on March 4, 1997, by the requisite two-thirds or more of the persons voting on the proposition, to issue $24,000,000 maximum principal amount of general obligation bonds (the "1997 Authorization"). On August 6, 1997, the District caused the issuance of the first series of bonds under the 1997 Authorization, its Election of 1997 General Obligation Bonds, Series A, in an aggregate principal amount of $21,749,592.90 (the "1997 Series A Bonds"). On March 13, 2002, the District caused the issuance of the second and final series of bonds under the 1997 Authorization, its Election of 1997 General Obligation Bonds, Series B, in an aggregate principal amount of $2,249,576 (the "1997 Series B Bonds"). Currently, $831.60 of the 1997 Authorization remains unissued.

On March 2, 2005, the District issued $12,175,000 of its 2005 General Obligation Refunding Bonds (the "2005 Refunding Bonds") to advance refund certain of the then-outstanding 1997 Series A Bonds.

The District received authorization at an election held on March 2, 2004, by the requisite 55% or more of the persons voting on the proposition, to issue $21,350,000 maximum principal amount of general obligation bonds (the "2004 Authorization"). On July 8, 2004, the District caused the issuance of the first and only series of bonds under the 2004 Authorization, its Election of 2004 General Obligation Bonds, Series A, in an aggregate principal amount of $21,349,801.75 (the "2004 Series A Bonds"). Currently, $198.25 of the 2004 Authorization remains unissued.

On March 30, 2006, the District issued $19,537,197.55 of its 2006 General Obligation Refunding Bonds (the "2006 Refunding Bonds") to advance refund certain of the then-outstanding 2004 Series A Bonds.

The 2016 Authorization was approved by voters at an election held on November 8, 2016, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance of $170,000,000 principal amount of general obligation bonds of the District. On March 30, 2017, the District issued its first series of bonds under the 2016 Authorization, its Election of 2016 General Obligation Bonds, Series A, in an aggregate principal amount of $35,000,000 (the "2016 Series A Bonds"). On June 7, 2018, the District issued its second series of bonds under the 2016 Authorization, its Election of 2016 General Obligation Bonds, Series B, in an aggregate principal amount of $50,000,000 (the "2016 Series B Bonds"). The Bonds represent the third series of bonds issued under the 2016 Authorization, and, following the issuance thereof, $45,000,000 of the 2016 Authorization will remain unissued.

The table below shows the combined debt service schedule with respect to the District's total outstanding general obligation bonded debt following the issuance of the Bonds, assuming no optional redemptions are made.

[REMAINDER OF PAGE LEFT BLANK]

COMBINED DEBT SERVICE SCHEDULE[1]
Lucia Mar Unified School District

Year Ending August 1	1997 Series B Bonds	2004 Series A Bonds	2005 Refunding Bonds	2006 Refunding Bonds	2016 Series A Bonds	2016 Series B Bonds	The Bonds	Total Annual Debt Service
2020	$233,500	—	$2,809,738	$2,753,750	$1,104,550	$6,191,231	$187,986	$13,280,755
2021	243,500	—	2,954,263	2,810,000	1,104,550	5,240,981	1,353,500	13,706,794
2022	262,500	—	3,099,613	270,000	1,104,550	1,863,231	4,853,500	11,453,394
2023	1,200,000	—	—	—	1,104,550	1,941,631	2,163,500	6,409,681
2024	—	—	—	—	1,104,550	2,021,831	1,301,050	4,427,431
2025	—	—	—	—	1,104,550	2,106,581	1,353,650	4,564,781
2026	—	—	—	—	1,104,550	2,196,581	1,414,600	4,715,731
2027	—	$950,000	—	—	1,104,550	2,281,331	1,396,600	5,732,481
2028	—	2,625,000	—	—	1,444,550	2,260,831	1,444,000	7,774,381
2029	—	—	—	—	1,497,550	2,340,081	1,494,200	5,331,831
2030	—	—	—	—	1,547,050	2,424,081	1,547,000	5,518,131
2031	—	—	—	—	1,603,050	2,507,331	1,602,200	5,712,581
2032	—	—	—	—	1,660,050	2,593,475	1,659,600	5,913,125
2033	—	—	—	—	1,717,800	2,684,975	1,719,000	6,121,775
2034	—	—	—	—	1,776,050	2,779,475	1,775,200	6,330,725
2035	—	—	—	—	1,839,550	2,879,075	1,838,200	6,556,825
2036	—	—	—	—	1,902,800	2,977,675	1,902,600	6,783,075
2037	—	—	—	—	1,970,550	3,080,075	1,966,800	7,017,425
2038	—	—	—	—	2,042,300	3,190,875	2,038,300	7,271,475
2039	—	—	—	—	2,112,550	3,299,475	2,106,800	7,518,825
2040	—	—	—	—	2,186,050	3,416,150	2,182,300	7,784,500
2041	—	—	—	—	2,262,300	3,536,900	2,259,500	8,058,700
2042	—	—	—	—	2,340,800	3,660,900	2,338,250	8,339,950
2043	—	—	—	—	2,425,000	3,787,400	2,418,400	8,630,800
2044	—	—	—	—	2,507,800	3,921,000	2,504,800	8,933,600
2045	—	—	—	—	2,594,000	4,059,400	2,592,150	9,245,550
2046	—	—	—	—	2,683,200	4,202,000	3,290,300	10,175,500
2047	—	—	—	—	—	5,283,200	5,215,800	10,499,000
2048	—	—	—	—	—	—	5,399,200	5,399,200
2049	—	—	—	—	—	—	5,584,800	5,584,800
Total	$1,939,500	$3,575,000	$8,863,613	$5,833,750	$46,949,400	$88,727,772	$68,903,786	$224,792,824

(1) Rows and columns may not sum to total due to rounding.
Source: Lucia Mar Unified School District.

Certificates of Participation. On February 4, 1998, the District executed and delivered its Refunding Certificates of Participation (1997 Financing Projects) (Bank Qualified) in an aggregate principal amount of $6,180,000 (the "1997 Certificates"). The 1997 Certificates were sold to prepay certain then-outstanding certificates of participation of the District.

On August 4, 2004, the District executed and delivered its Certificates of Participation (2004 Financing Project) Series A in an aggregate principal amount of $8,145,000 (the "2004A Certificates") and its Certificates of Participation (2004 Financing Project) Series B in an aggregate principal amount of $4,355,000 (the "2004B Certificates"). The 2004A Certificates and 2004B Certificates have been prepaid prior to maturity.

On April 7, 2011, the District executed and delivered its Certificates of Participation (2011 Projects) Series A (Tax-Exempt) (Bank Qualified) in an aggregate principal amount of $4,245,000 (the "2011A Certificates") and its Certificates of Participation (2011 Projects) Series B (Qualified Zone Academy Bonds – Direct Payment to District) (Federally Taxable) in an aggregate principal amount of $2,445,000 (the "2011B Certificates"). A portion of the net proceeds of the 2011A Certificates was used to prepay the then-outstanding 1997 Certificates.

On June 27, 2019, the District executed and delivered its 2019 Lease/Purchase Agreement in an aggregate principal amount of $5,120,000 (the "2019 Lease"). The proceeds of the 2019 Lease were used to prepay the then-outstanding 2004B Certificates and a portion of the then-outstanding 2011A Certificates.

Each of the outstanding 2011B Certificates and 2019 Lease is payable from lease payments to be made by the District pursuant to certain lease/purchase agreements executed in connection with the delivery thereof. The following table shows annual lease payments due from the District in connection with its 2011B Certificates and 2019 Lease, assuming no further optional prepayments.

[REMAINDER OF PAGE LEFT BLANK]

COMBINED ANNUAL LEASE PAYMENTS
Lucia Mar Unified School District

Year Ending (May 1)	2011B Certificates[1]	2019 Lease	Total Annual Lease Payments
2020	$1,103,737.50[2]	$223,221.33	$1,326,958.83
2021	118,187.50	243,070.00	361,257.50
2022	118,187.50	240,220.00	358,407.50
2023	118,187.50	407,370.00	525,557.50
2024	118,187.50	399,675.00	517,862.50
2025	118,187.50	401,980.00	520,167.50
2026	1,633,338.54[3]	409,000.00	2,042,338.54
2027	—	725,592.50	725,592.50
2028	—	737,922.50	737,922.50
2029	—	754,397.50	754,397.50
2030	—	759,875.00	759,875.00
2031	—	484,640.00	484,640.00
2032	—	501,672.50	501,672.50
2033	—	102,850.00	102,850.00
Total	$3,511,751.04	$6,391,486.33	$9,903,237.37

(1) Reflects gross debt service on the 2011B Certificates, which were designated as federally-taxable "Qualified Zone Academy Bonds" for purposes of Section 54E of the Internal Revenue Code of 1986, as amended (the "Code"), and does not reflect the anticipated receipt of the Subsidy Payments (as defined herein). The District made an irrevocable election to have Section 6431(f)(3)(B) of the Code apply to the 2011B Certificates. As a result, the District expected to receive, on or about each interest payment date, a cash subsidy payment (the "Subsidy Payment") from the United States Treasury (the "Treasury") equal to the lesser of (a) the interest payable on the 2011B Certificates or (b) the amount of interest that would have been payable on each such interest payment date if such interest were determined at a federally-determined tax credit rate of 5.31%.

The District has subsequently entered into a settlement agreement (the "Settlement") with the Internal Revenue Service (the "IRS"), pursuant to the IRS's Voluntary Closing Agreement Program, in connection with the District's failure to comply with certain provisions of the Code applicable to Qualified Zone Academy Bonds. Pursuant to the Settlement, the District has made a one-time payment to the IRS in the amount of $104,145.03 and, beginning May 1, 2019, the District will request a reduced Subsidy Payment from the Treasury in connection with the 2011B Certificates going forward, in an amount equal to approximately 69.2% of the initial Subsidy Payment, less any Sequestration Reduction (as defined below).

Subsidy Payments do not constitute full faith and credit guarantees of the United States Government, but are required to be paid by the Treasury under the Hiring Incentives to Restore Employment Act. However, the Subsidy Payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 5.9% through the end of the current federal fiscal year (September 30, 2020). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

(2) The District has made and will make the following mandatory sinking fund payments to the trustee for the 2011B Certificates on May 1, 2016, May 1, 2017, May 1, 2018, May 1, 2019 and May 1, 2020, respectively, to be used by the trustee for the final principal payment due with respect to such 2011B Certificates on May 1, 2020: $160,000, $170,000, $185,000, $195,000, and $210,000.

(3) Final payment due April 1, 2026. The District will make the following mandatory sinking fund payments to the trustee for the 2011B Certificates on May 1, 2021, May 1, 2022, May 1, 2023, May 1, 2024, May 1, 2025 and April 1, 2026, respectively, to be used by the trustee for the final principal payment due with respect to such 2011B Certificates on April 1, 2026: $215,000, $230,000, $245,000, $260,000, $280,000, and $295,000.

Source: Lucia Mar Unified School District.

Capital Lease. On October 22, 2013, the District executed and delivered a privately placed energy equipment lease (the "Capital Lease"). The District's liability with respect to the Capital Lease, as of June 30, 2019, is summarized in the following table.

	Energy Management Lease
Balance, July 1, 2018	$17,538,809
Payments	(1,054,901)
Balance, June 30, 2019	$16,483,908

Source: Lucia Mar Unified School District.

The Capital Lease has future minimum lease payments, as of June 30, 2019, as shown in the following table.

Fiscal Year	Lease Payment
2020	$1,043,564
2021	1,088,913
2022	1,136,241
2023	1,047,810
2024	1,185,635
2025-2029	6,747,914
2030-2034	4,233,831
Total	16,483,908
Less: Amount Representing Interest	(3,958,763)
Present Value of Minimum Lease Payments	$12,525,145

Source: Lucia Mar Unified School District.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

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

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds 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 issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. PROPOSED LEGISLATIVE CHANGES OR OTHER CHANGES WHICH MIGHT BE INTRODUCED IN CONGRESS COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds 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 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged ad valorem property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the ad valorem property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged ad valorem revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the annual ad valorem property taxes and certain funds to repay the Bonds and may invest these funds in the County Investment Pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – San Luis Obispo County Investment Pool" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds 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.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be 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.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2019-20 fiscal year, which would be due on April 1, 2021, 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 in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to file a notice of a rating change relating to an insurer of a prior bond issuance as required by its prior undertakings entered into pursuant to the Rule.

The District has retained Applied Best Practices LLC as its dissemination agent to assist it in preparing and filing the annual reports and notices of listed events required under its existing continuing disclosure obligations, as well as the undertaking entered into in connection with the Bonds.

No Litigation

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2019, 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 dated December 4, 2019 of Eide Bailly LLP (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, 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.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Rating

The Bonds have been assigned the rating of "Aa2" by Moody's. The rating reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, NY 10007. 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 the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

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 Bonds. See "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of $43,806,754.15, which is equal to the initial principal amount of the Bonds of $40,000,000.00, plus original issue premium of $3,966,754.15, less $160,000.00 of underwriting discount.

The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Certain of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

LUCIA MAR UNIFIED SCHOOL DISTRICT

By: /s/ Andy Stenson
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect thereto substantially in the following form:

June 11, 2020

Board of Education
Lucia Mar Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $40,000,000 Lucia Mar Unified School District Election of 2016 General Obligation Bonds, Series C (the "Bonds"). 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 verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Lucia Mar Unified School District (the "District") voting at an election held on November 8, 2016, and a resolution adopted by the Board of Education of the District on April 21, 2020 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of ad valorem property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds (to the extent that 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 Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for

purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond 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 Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond 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 Bond 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 Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds 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 Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds 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 Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX B

2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

(THIS PAGE INTENTIONALLY LEFT BLANK)

Annual Financial Report
June 30, 2019

Lucia Mar Unified School District

LMUSD Board of Education
Approved: 12/10/19

EideBailly.

eidebailly.com

(THIS PAGE INTENTIONALLY LEFT BLANK)

LUCIA MAR UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

TABLE OF CONTENTS
JUNE 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucia Mar Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements 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 Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucia Mar Unified School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 15, budgetary comparison schedule on page 74, schedule of changes in the District's total OPEB liability and related ratios on page 75, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 76, schedule of the District's proportionate share of net pension liability on page 77, and the schedule of District contributions on page 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lucia Mar Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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 auditing standards generally accepted in the United States of America. 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 4, 2019, on our consideration of the Lucia Mar Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lucia Mar Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lucia Mar Unified School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

LUCIA MAR UNIFIED SCHOOL DISTRICT

Engage Challenge Inspire

BUSINESS SERVICES DEPARTMENT

602 Orchard Street, Arroyo Grande, CA 93420
Ph 805.474.3000 x1070
Fax 805.473.1593

This section of Lucia Mar Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Lucia Mar Unified School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The fiscal year (FY) 2018-2019 unrestricted General Funds closed the year well in excess of the minimum three percent reserve for economic uncertainties.

- The Board of Education is committed to increasing salaries while remaining financial prudent. Certificated employees received a one percent (1%) on schedule pay increase and an additional one percent (1%) off schedule payment. Classified employees received a one percent (1%) on schedule pay increase and Instructional Assistants and Licensed Vocation Nurse Instructional Assistants, assigned to more intensive settings, received a behavior stipend of $28 per worked day from January 14, 2019 through June 7, 2019. Management employees received a .7% on schedule pay increase and a one percent (1%) off schedule payment. Five (5) supervisors received an increase in salary placement to ensure they receive a higher salary than the employees they are evaluating.

- Measure I Projects remained a major focus with many projects completed across the District.

- Business Services invested significant time and training into our Associated Student Body Associations with a focus on procedures and compliance.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of cafeteria activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like the funds for associated student body activities, and scholarships. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $17,823,231 for the fiscal year ended June 30, 2019. Of this amount, $(96,218,006) was unrestricted deficit. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	$ 100,993,092	$ 92,703,880
Capital assets	168,653,426	235,188,333
Total Assets	**269,646,518**	**327,892,213**
Deferred Outflows of Resources	**33,790,017**	**33,825,863**
Liabilities		
Current liabilities	13,631,691	11,879,432
Long-term obligations	144,963,812	121,785,544
Aggregate pension liability	120,232,292	92,884,558
Total Liabilities	**278,827,795**	**226,549,534**
Deferred Inflows of Resources	**6,785,509**	**4,573,261**
Net Position		
Net investment in capital assets	86,898,257	178,993,847
Restricted	27,142,980	26,544,476
Unrestricted (Deficit)	(96,218,006)	(74,943,042)
Total Net Position	**$ 17,823,231**	**$ 130,595,281**

The $(96,218,006) in unrestricted deficit net position of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 488,282	$ 2,088,256
Operating grants and contributions	16,353,296	21,863,708
Capital grants and contributions	2,000,000	85
General revenues:		
Federal and State aid not restricted	31,262,508	70,521,861
Property taxes	84,009,341	24,308,857
Other general revenues	14,699,243	6,792,258
Total Revenues	**148,812,670**	**125,575,025**
Expenses		
Instruction-related	97,265,187	84,855,681
Pupil services	14,932,738	15,179,526
Administration	7,384,546	8,425,346
Plant services	12,438,940	11,002,350
Other	10,274,206	14,119,002
Total Expenses	**142,295,617**	**133,581,905**
Change in Net Position	**$ 6,517,053**	**$ (8,006,880)**

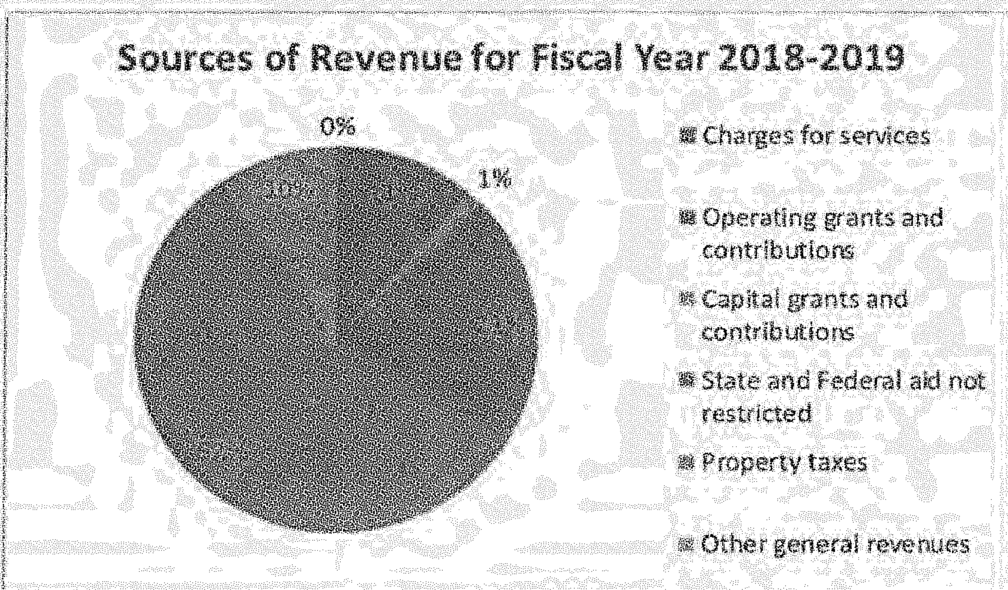
Governmental Activities

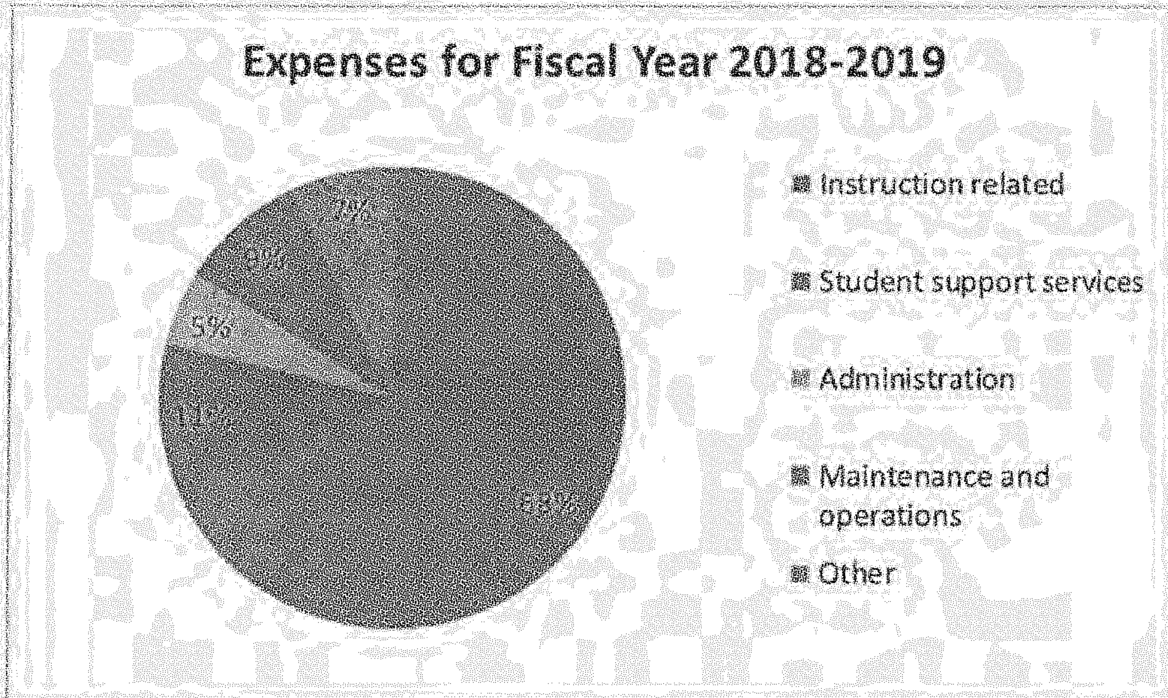
As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $142,295,617. The amount that our taxpayers ultimately financed for these activities through local taxes was $84,009,341 because the cost was paid by those who benefited from the programs ($488,282) or by other governments and organizations who subsidized certain programs with grants and contributions ($18,353,296). We paid for the remaining "public benefit" portion of our governmental activities with $31,262,508 in Federal and State funds, and with $14,699,243 other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: instruction including special instruction programs and other instructional programs, pupil services, administration, plant services, and all other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction-related	$ 97,265,187	$ 84,855,681	$ (82,780,363)	$ (73,337,462)
Pupil services	14,932,738	15,179,526	(11,405,706)	(8,748,615)
Administration	7,384,546	8,425,346	(6,966,448)	(7,825,237)
Plant services	12,438,940	11,002,350	(12,219,782)	(10,823,056)
All other services	10,274,206	14,119,002	(10,081,740)	(8,895,486)
Total	**$ 142,295,617**	**$ 133,581,905**	**$ (123,454,039)**	**$ (109,629,856)**





THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $89,187,542, which is a decrease of $23,631,976 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General	$ 18,613,266	$ 123,669,117	$ 123,542,288	$ 18,740,095
Building	66,243,416	1,027,096	27,664,662	39,605,850
Bond Interest and Redemption	20,817,267	13,281,237	13,856,878	20,241,626
Non-Major Governmental Funds	7,145,569	16,916,381	13,461,979	10,599,971
Total	$ 112,819,518	$ 154,893,831	$ 178,525,807	$ 89,187,542

The primary reasons for these increases/decreases are:

General Fund Increase in fund balance of $126,829 as a result of current year revenue and expenditures. This increase is due mainly to unspent categorical funding that will be carried over into FY 2019-2020.

Building Fund Building Fund net decrease of $26,637,566 spending down of Measure I Series A and B on capital projects across the District.

Bond Interest and Redemption Fund Bond Interest and Redemption Fund net decrease of $575,641 of current year taxes and interest collected exceeding General Obligation Bond principal and interest payments.

Non-Major Governmental Funds Net increase in fund balance of $3,454,402 as a result of operations as follows:

- **Fund 11** Adult Education Fund net decrease in fund balance of $52,956 is a result from planned spending to increase staffing and increase offerings.
- **Fund 13** Cafeteria Fund net increase in fund balance of $93,598 as a result of operations. A focus in 2018-2019 was to decrease food costs and stop the eroding of the Ending Fund Balance of this fund.
- **Fund 14** Deferred Maintenance Fund net increase in fund balance of $5,948.
- **Funds 25** Capital Facilities funds net increase in fund balance of $984,926. Funds are earmarked from this fund for projects in 2019-2020.
- **Fund 35** County School Facilities Fund net increase in fund balance of $360,738 due to interest earned on the balance remaining in the fund.
- **Fund 40** Special Reserve Fund for Capital Outlay Projects net increase in fund balance of $2,073,266. Proposition 51 CTE funds for the Nipomo High School Welding Shop are held here and once the audit of the project is complete this funding will be used for future capital projects.
- **Fund 52** Debt Service Fund for Blended Component Units net decrease in fund balance of $11,118 mainly due to interest earned on the balance remaining in the fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to adjust for unexpected changes in revenues and expenditures. The governing board approves three versions of the operating budget, including the Adopted, First Interim, and Second Interim Budgets. After the year-end closing process is complete, the unaudited actuals are presented to the governing board. Budget adjustments are brought to the governing board on a regular basis to reflect changes in both revenues and expenditures that become known during the year. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in this annual financial report on page 74.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $168,653,426 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $24,704,872, or 17.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land and construction in progress	$ 99,946,102	$ 71,396,505
Buildings and improvements	65,722,425	69,337,934
Equipment	2,984,899	3,214,115
Total	**$ 168,653,426**	**$ 143,948,554**

This year's major additions included:

- AGHS Music Building
- NHS Security Cameras
- Fairgrove Utilities Upgrade and Outdoor Learning Center
- Oceanview Outdoor Learning Center, Security Fencing, and Asphalt
- Nipomo Elementary Underground Utilities Upgrade and Modular Buildings
- Grover Beach Modular Buildings
- Judkins Modernization
- Dana Modernization, Sewer Upgrade, and Electrical Upgrade

We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $144,963,812 in debt outstanding versus $156,282,698 last year, a decrease of $11,318,886, or 7.2 percent. The debt consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds	$ 100,087,427	$ 109,670,846
Premium on issuance	6,328,101	6,647,933
Certificates of participation	1,735,000	7,070,000
Discount on issuance	(24,031)	(35,717)
Capital leases	12,525,145	13,058,589
Notes from direct borrowings and direct placements	5,120,000	-
Compensated absences	759,565	813,108
Supplemental Early Retirement Program - PARS	-	429,111
Net other postemployment benefits (OPEB) liability	18,432,605	18,628,828
Total	**$ 144,963,812**	**$ 156,282,698**

The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $100,087,427 is below the statutorily-imposed limit.

Other obligations include certificates of participation, capital lease obligations, compensated absences payable, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year end, the District has a net pension liability of $120,232,292 versus $114,736,939 last year, an increase of $5,495,353, or 4.8 percent, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the District budget for 2019-2020 and the multi-year projections through 2020-2021, the following assumptions and criteria were considered:

- The 2019-2020 budget includes expenditures sufficient to implement the actions and strategies included in the Local Control Accountability Plan (LCAP).

- Includes increases for the employer paid portion of STRS and PERS
- Continued declining enrollment is projected.
- The 2019-2020 fiscal year will be the final year of a three-year spending plan of one-time funding for Board Priorities coming from the budget realignment process in the Fall of 2015.
- Mini Grant Funding for School sites for Intervention, Enrichment, and Visual and Performing Arts.
- The District funds Other Postemployment Benefits (OPEB) on a pay as you go basis.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Jim Empey, Assistant Superintendent, Business, at Lucia Mar Unified School District, 602 Orchard Street, Arroyo Grande, California, 93420, or e-mail at jim.empey@lmusd.org.

LUCIA MAR UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 96,072,679
Receivables	4,396,208
Prepaid expenses	453,618
Stores inventories	70,587
Capital assets	
Land and construction in process	99,946,102
Capital assets being depreciated	151,004,440
Accumulated depreciation	(82,297,116)
Total Capital Assets	168,653,426
Total Assets	269,646,518
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	64,771
Deferred outflows of resources related to pensions	33,373,003
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	352,243
Total Deferred Outflows of Resources	33,790,017
LIABILITIES	
Accounts payable	11,757,292
Interest payable	1,826,141
Unearned revenue	48,258
Long-term obligations:	
Current portion of long-term obligations other than pensions	9,985,000
Noncurrent portion of long-term obligations other than pensions	134,978,812
Total Long-Term Obligations	144,963,812
Aggregate net pension liability	120,232,292
Total Liabilities	278,827,795
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,470,947
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	314,562
Total Deferred Inflows of Resources	6,785,509
NET POSITION	
Net investment in capital assets	86,898,257
Restricted for:	
Debt service	18,465,230
Capital projects	5,193,637
Educational programs	2,937,242
Other activities	546,871
Unrestricted	(96,218,006)
Total Net Position	$ 17,823,231

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 84,543,897	$ 194,944	$ 10,956,054	$ 2,000,000	$ (71,392,899)
Instruction-related activities:					
Supervision of instruction	3,620,690	883	406,991	-	(3,212,816)
Instructional library, media, and technology	862,185	312	13,836	-	(848,037)
School site administration	8,238,415	260,415	651,389	-	(7,326,611)
Pupil services:					
Home-to-school transportation	3,326,091	-	-	-	(3,326,091)
Food services	3,506,031	-	2,540,060	-	(965,971)
All other pupil services	8,100,616	7,486	979,486	-	(7,113,644)
Administration:					
Data processing	2,083,513	-	-	-	(2,083,513)
All other administration	5,301,033	22,018	396,080	-	(4,882,935)
Plant services	12,438,940	762	218,396	-	(12,219,782)
Ancillary services	1,448,162	-	39,674	-	(1,408,488)
Community services	166,661	1,307	12,190	-	(153,164)
Interest on long-term obligations	6,815,613	-	-	-	(6,815,613)
Other outgo	1,843,770	155	139,140	-	(1,704,475)
Total Governmental Activities	$ 142,295,617	$ 488,282	$ 16,353,296	$ 2,000,000	(123,454,039)
General revenues and subventions:					
Property taxes, levied for general purposes					70,050,391
Property taxes, levied for debt service					12,958,251
Taxes levied for other specific purposes					1,000,699
Federal and State aid not restricted to specific purposes					31,262,508
Interest and investment earnings					918,384
Interagency revenues					4,598
Miscellaneous					13,776,261
Subtotal, General Revenues					129,971,092
Change in Net Position					6,517,053
Net Position - Beginning					11,306,178
Net Position - Ending					$ 17,823,231

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 23,638,059	$ 41,878,497	$ 20,241,626
Receivables	3,908,615	-	-
Due from other funds	159,881	-	-
Prepaid expenditures	453,618	-	-
Stores inventories	26,026	-	-
Total Assets	$ 28,186,199	$ 41,878,497	$ 20,241,626
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 9,397,846	$ 2,272,647	$ -
Due to other funds	-	-	-
Unearned revenue	48,258	-	-
Total Liabilities	9,446,104	2,272,647	-
Fund Balances:			
Nonspendable	499,644	-	-
Restricted	2,937,242	39,605,850	20,241,626
Committed	-	-	-
Assigned	11,730,806	-	-
Unassigned	3,572,403	-	-
Total Fund Balances	18,740,095	39,605,850	20,241,626
Total Liabilities and Fund Balances	$ 28,186,199	$ 41,878,497	$ 20,241,626

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

Non-Major Governmental Funds	Total Governmental Funds
$ 10,314,497	$ 96,072,679
487,593	4,396,208
-	159,881
-	453,618
44,561	70,587
$ 10,846,651	$ 101,152,973
$ 86,799	$ 11,757,292
159,881	159,881
-	48,258
246,680	11,965,431
-	499,644
5,790,253	68,574,971
94,341	94,341
4,715,377	16,446,183
-	3,572,403
10,599,971	89,187,542
$ 10,846,651	$ 101,152,973

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		$ 89,187,542
Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 250,950,542	
Accumulated depreciation is	(82,297,116)	
Net Capital Assets		168,653,426
Deferred charges on refunding (difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities.		64,771
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,826,141)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	11,475,842	
Net change in proportionate share of net pension liability	2,313,623	
Differences between projected and actual earnings on pension plan investments	288,175	
Differences between expected and actual experience in the measurement of the total pension liability	2,567,115	
Changes of assumptions	16,728,248	
Total Deferred Outflows of Resources Related to Pensions		33,373,003
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(1,958,002)	
Differences between projected and actual earnings on pension plan investments	(3,276,839)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,236,106)	
Total Deferred Inflows of Resources Related to Pensions		(6,470,947)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of changes of assumptions.		$ 352,243
Deferred inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year end consist of changes of assumptions.		(314,562)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(120,232,292)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds	$ 95,741,575	
Unamortized premium on general obligation bonds	6,328,101	
Certificates of participation	1,735,000	
Unamortized discounts on certificates of participation	(24,031)	
Capital leases payable	12,525,145	
Notes from direct borrowings and direct placements	5,120,000	
Compensated absences (vacation)	759,565	
Net other postemployment benefits (OPEB) liability	18,432,605	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	4,345,852	
Total Long-Term Obligations		(144,963,812)
Total Net Position - Governmental Activities		**$ 17,823,231**

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 97,144,404	$ -	$ -
Federal sources	4,077,718	-	-
Other State sources	17,388,872	-	85,078
Other local sources	5,058,123	1,027,096	13,196,159
Total Revenues	123,669,117	1,027,096	13,281,237
EXPENDITURES			
Current			
Instruction	77,423,862	-	-
Instruction-related activities:			
Supervision of instruction	3,331,499	-	-
Instructional library, media and technology	805,700	-	-
School site administration	8,343,468	-	-
Pupil services:			
Home-to-school transportation	2,783,556	-	-
Food services	65,109	-	-
All other pupil services	7,833,754	-	-
Administration:			
Data processing	1,972,575	-	-
All other administration	4,896,896	-	-
Plant services	10,710,950	-	-
Ancillary services	1,348,307	-	-
Community services	154,363	-	-
Other outgo	1,843,770	-	-
Facility acquisition and construction	955,946	27,649,162	-
Debt service			
Principal	533,444	-	10,120,000
Interest and other	521,457	15,500	3,736,878
Total Expenditures	123,524,656	27,664,662	13,856,878
Excess (Deficiency) of Revenues Over Expenditures	144,461	(26,637,566)	(575,641)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources - notes from direct borrowings and direct placements	-	-	-
Transfers out	(17,632)	-	-
Other uses - payment for debt refunding	-	-	-
Net Financing Sources (Uses)	(17,632)	-	-
NET CHANGE IN FUND BALANCES	126,829	(26,637,566)	(575,641)
Fund Balance - Beginning	18,613,266	66,243,416	20,817,267
Fund Balance - Ending	$ 18,740,095	$ 39,605,850	$ 20,241,626

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

Non-Major Governmental Funds	Total Governmental Funds
$ 200,000	$ 97,344,404
3,097,144	7,174,862
2,247,586	19,721,536
4,063,480	23,344,858
9,608,210	147,585,660
398,443	77,822,305
-	3,331,499
-	805,700
344,221	8,687,689
-	2,783,556
3,245,221	3,310,330
-	7,833,754
-	1,972,575
179,940	5,076,836
637,403	11,348,353
-	1,348,307
-	154,363
-	1,843,770
599,239	29,204,347
360,000	11,013,444
494,640	4,768,475
6,259,107	171,305,303
3,349,103	(23,719,643)
2,188,171	2,188,171
5,120,000	5,120,000
(2,170,539)	(2,188,171)
(5,032,333)	(5,032,333)
105,299	87,667
3,454,402	(23,631,976)
7,145,569	112,819,518
$ 10,599,971	$ 89,187,542

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		$ (23,631,976)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 29,090,183	
Depreciation expense	(4,385,311)	
Net Expense Adjustment		24,704,872
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits earned were less than amounts used by $429,111. Vacation used was more than amounts earned by $53,543.		482,654
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Notes from direct borrowings and direct placements		(5,120,000)
Governmental funds report the effect of premiums, discounts, and issuance costs when the debt is first issued, whereas the amounts are deferred and amortized over the life of the debt in the Statement of Activities. This amount is the net effect of these related items:		
Deferred amount on refunding for refinancing lease		64,771

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		$ (5,645,554)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		593,404
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds	$ 10,120,000	
Certificates of participation	5,335,000	
Capital lease obligations	533,444	
Combined adjustment		15,988,444
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	319,832	
Amortization of debt discount	(11,686)	
Combined adjustment		308,146
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds, increased by $691,127, and second, $536,581 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(1,227,708)
Change in Net Position of Governmental Activities		**$ 6,517,053**

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds
ASSETS	
Deposits and investments	$ 1,069,677
Receivables	52
Total Assets	$ 1,069,729
LIABILITIES	
Due to student groups	$ 1,069,729

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lucia Mar Unified School District (the District) was unified in 1965 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates eleven elementary schools, three middle schools, three high schools, one continuation high school, and one adult education program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Lucia Mar Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the Lucia Mar Unified School District Financing Corporation (the Corporation) has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Lucia Mar Unified School District Corporation's financial activity is presented in the financial statements in the Debt Service Fund for Blended Component Units. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund are used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance (*Education Code* Section 17582).

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

Debt Service Fund for Blended Component Units The Debt Service for Blended Component Units Fund is used to account for the accumulation of resources for the payment of the principal and interest on bonds issued by Financing Authorities and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and scholarship activities.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 7 to 30 years; equipment, 5 to 20 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. 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, 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. Credit for unused sick leave is applicable to all certificated 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.

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP 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 participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $27,142,980 of restricted net position.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019. The Statement did not have a significant impact on the District's financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged. Management is evaluating the impact of the adoption of this standard.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. Management is evaluating the impact of the adoption of this standard.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is evaluating the impact of the adoption of this standard.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is evaluating the impact of the adoption of this standard.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. Management is evaluating the impact of the adoption of this standard.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 96,072,679
Fiduciary funds	1,069,677
Total Deposits and Investments	$ 97,142,356

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	$ 1,337,098
Cash in revolving	20,000
Investments	95,785,258
Total Deposits and Investments	$ 97,142,356

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Maturity in Days
San Luis Obispo County Investment Pool	$ 95,785,258	301

Credit Risk

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

Investment Type	Minimum Legal Rating	Moody's Rating June 30, 2019	Reported Amount
San Luis Obispo County Investment Pool	Not Required	AAAf/S1	$ 95,785,258

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Uncategorized
San Luis Obispo County Investment Pool	$ 95,785,258	$ 95,785,258

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources.

All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Federal Government				
Categorical aid	$ 2,335,450	$ 485,793	$ 2,821,243	$ -
State Government				
Categorical aid	505,376	-	505,376	-
Lottery	501,763	-	501,763	-
Local Government				
Other Local Sources	566,026	1,800	567,826	52
Total	$ 3,908,615	$ 487,593	$ 4,396,208	$ 52

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 18,389,117	$ -	$ -	$ 18,389,117
Construction in Progress	53,007,388	28,664,009	114,412	81,556,985
Total Capital Assets Not Being Depreciated	71,396,505	28,664,009	114,412	99,946,102
Capital Assets Being Depreciated:				
Land Improvements	4,905,136	-	-	4,905,136
Buildings and Improvements	129,744,379	180,308	-	129,924,687
Furniture and Equipment	15,814,339	360,278	-	16,174,617
Total Capital Assets Being Depreciated	150,463,854	540,586	-	151,004,440
Total Capital Assets	221,860,359	29,204,595	114,412	250,950,542
Less Accumulated Depreciation:				
Land Improvements	3,877,950	162,016	-	4,039,966
Buildings and Improvements	61,433,631	3,633,801	-	65,067,432
Furniture and Equipment	12,600,224	589,494	-	13,189,718
Total Accumulated Depreciation	77,911,805	4,385,311	-	82,297,116
Governmental Activities Capital Assets, Net	$ 143,948,554	$ 24,819,284	$ 114,412	$ 168,653,426

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities		
Instruction	$	2,650,752
Supervision of instruction		74,518
Instructional library, media, and technology		33,486
School site administration		213,316
Home-to-school transportation		118,230
Food services		173,434
All other pupil services		154,570
Ancillary services		42,437
Community services		10,633
All other general administration		112,400
Data processing		51,451
Plant services		750,084
Total Depreciation Expenses Governmental Activities	$	4,385,311

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

Due To	Non-Major Governmental Funds
General Fund	$ 159,881

The balance of $159,881 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for cash flow.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Non-Major Governmental Funds	$ 17,632	$ 2,170,539	$ 2,188,171

The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service.	$ 292,360
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for reimbursement of costs.	17,632
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service.	207,118
The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of costs.	1,671,061
Total	$ 2,188,171

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 2,272,957	$ -	$ 86,799	$ 2,359,756
State principal apportionment	835,211	-	-	835,211
Salaries and benefits	6,289,678	-	-	6,289,678
Construction	-	2,272,647	-	2,272,647
Total	$ 9,397,846	$ 2,272,647	$ 86,799	$ 11,757,292

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund
Federal financial assistance	$ 41,554
State categorical aid	6,704
Total	$ 48,258

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 109,670,846	$ 536,581	$ 10,120,000	$ 100,087,427	$ 9,675,000
Premium on issuance	6,647,933	-	319,832	6,328,101	-
Certificates of participation	7,070,000	-	5,335,000	1,735,000	210,000
Discount on issuance	(35,717)	-	(11,686)	(24,031)	-
Capital leases	13,058,589	-	533,444	12,525,145	548,471
Notes from direct borrowings and direct placements	-	5,120,000	-	5,120,000	100,000
Compensated absences	813,108	-	53,543	759,565	-
Supplemental Early Retirement Program - PARS	429,111	-	429,111	-	-
Net other postemployment benefits (OPEB) liability	18,628,828	-	196,223	18,432,605	-
	$ 156,282,698	$ 5,656,581	$ 16,975,467	$ 144,963,812	$ 10,533,471

Payments on the General Obligation Bonds are made in the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made in the Debt Service Fund for Blended Component Units. Payments for the Accumulated Vacation are typically liquidated in the fund in which the employee was paid.

Payments on the notes from direct borrowings and direct placements are made in the Debt Service Fund for Blended Component Units. The outstanding notes from direct borrowings and direct placements of $5,120,000 contain a provision that in an event of default, any installment payments not paid when due shall bear an interest a lessor rate allowed by law, from the date the installment was due.

Payments for the OPEB obligation are made in the General Fund. Payments for the Capital Leases are made in the General Fund. Payments for the Supplemental Early Retirement Program are made in the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2018	Issued	Accretion	Redeemed	Outstanding June 30, 2019
02/20/02	2024	2.00% - 5.50%	2,249,576	$ 1,802,346	$ -	$ 56,296	$ 150,000	$ 1,708,642
06/17/04	2029	3.00% - 8.00%	21,349,802	1,632,638	-	129,728	-	1,762,366
02/10/05	2023	2.00% - 5.25%	12,175,000	12,055,000	-	-	1,915,000	10,140,000
03/15/06	2023	4.00% - 11.90%	19,537,198	9,180,862	-	350,557	2,275,000	7,256,419
03/30/17	2047	4.00% - 5.00%	35,000,000	35,000,000	-	-	5,780,000	29,220,000
06/07/18	2048	3.38% - 5.00%	50,000,000	50,000,000	-	-	-	50,000,000
				$ 109,670,846	$ -	$ 536,581	$ 10,120,000	$ 100,087,427

Debt Service Requirements to Maturity

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest to Maturity	Total
2020	$ 9,675,000	$ 4,045,900	$ -	$ 13,720,900
2021	9,090,046	3,615,531	179,954	12,885,531
2022	8,254,924	3,251,594	690,076	12,196,594
2023	3,416,449	3,010,537	88,551	6,515,537
2024	988,642	2,923,781	331,358	4,243,781
2025-2029	4,037,366	14,398,031	1,812,634	20,248,031
2030-2034	7,120,000	13,284,391	-	20,404,391
2035-2039	13,145,000	11,004,175	-	24,149,175
2040-2044	21,390,000	7,153,413	-	28,543,413
2045-2046	22,970,000	1,821,200	-	24,791,200
Total	$ 100,087,427	$ 64,508,553	$ 3,102,573	$ 167,698,553

General Obligation Bonds

1997 General Obligation Bonds, Series B In February 2002, the District issued $1,970,000 in current interest bonds, and $279,576 in capital appreciation bonds of the Election 1997 General Obligation Bonds, Series B. The capital appreciation bonds accrete interest to a maturity value of $1,200,000. The bonds mature on February 1, 2023 and June 30, 2024 respectively, with interest rates ranging from 2.00 to 5.50 percent. The proceeds from the sale of the bonds were used to finance capital projects.	$ 1,708,642
2004 General Obligation Bonds, Series A In June 2004, the District issued $20,790,000 in current interest bonds, and $559,802 in capital appreciation bonds of the Election 2004 General Obligation Bonds, Series A. The capital appreciation bonds accrete interest to a maturity value of $3,575,000. The bonds mature on February 1, 2015 and June 30, 2029 respectively, with interest rates ranging from 3.00 to 8.00 percent. The proceeds from the sale of the bonds were used to finance capital projects.	1,762,366
2005 General Obligation Refunding Bonds In February 2005, the District issued $12,175,000 of the 2005 General Obligation Refunding Bonds. The bonds mature on August 1, 2022 with interest rates ranging from 2.0 to 5.25 percent. The proceeds from the sale of the bonds were used to refund the current interest and capital appreciation bonds related to the Election 1997 General Obligation Bonds, Series A.	10,140,000
2006 General Obligation Refunding Bonds In March 2006, the District issued $18,795,000 in current interest bonds, and $742,198 in capital appreciation bonds of the 2006 General Obligation Refunding Bonds. The capital appreciation bonds accrete interest to a maturity value of $4,255,000. The bonds mature on February 1, 2021 and June 30, 2023 respectively, with interest rates ranging from 4.0 to 11.90 percent. The proceeds from the sale of the bonds were used to refund the current interest and capital appreciation bonds related to the Election 2004 General Obligation Bonds, Series A.	7,256,419
2016 General Obligation Bonds, Series A In March 2017, 2018, the District issue 35,000,000 in current interest bonds of the Election 2016 General Obligation Bonds, Series A. The bonds mature on August 1, 2046 with interest rates ranging from 4.00 to 5.00 percent. The proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay issuance of the bonds.	29,220,000
2016 General Obligation Bonds, Series B In June 2018, the District issued $50,000,000 in current interest bonds of the Election 2016 General Obligation Bonds, Series B. The bonds mature on August 1, 2047, with interest rates ranging from 3.375 to 5.00 percent. The proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay issuance of the bonds.	50,000,000
Subtotal bonds outstanding	100,087,427

Premium on 2005 General Obligation Refunding Bonds	$ 388,265
Premium on 2016 General Obligation Bonds, Series A	2,167,572
Premium on 2016 General Obligation Bonds, Series B	3,772,264
Subtotal premium on bonds	6,328,101
	$ 106,415,528

Certificates of Participation

The outstanding certificates of participation are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
08/01/04	07/22/05	3.00% - 5.00%	$12,500,000	$2,585,000	$ -	$ 2,585,000	$ -
04/07/11	07/25/05	3.50% - 5.75%	4,245,000	2,555,000	-	2,555,000	-
04/07/11	07/18/05	5.75% - 7.13%	2,445,000	1,930,000	-	195,000	1,735,000
				$7,070,000	$ -	$ 5,335,000	$ 1,735,000

Debt Service Requirements to Maturity

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	$ 210,000	$ 183,738	$ 393,738
2021	215,000	118,188	333,188
2022	230,000	118,188	348,188
2023	245,000	118,188	363,188
2024	260,000	118,188	378,188
2025-2026	575,000	226,526	801,526
Total	$ 1,735,000	$ 883,016	$ 2,618,016

Certificates of Participation

2011 Certificates of Participation

In Aprol 2011, the District issued $2,445,000 in series B certificates of participation. The certificates of participation mature on April 1, 2026, with interest rates ranging from 5.75 percent to 7.13 percent. The proceeds are being used to refund the remaing portion of the 1998 certifications of participation and construct facilities to be used by the — $ 1,735,000

Discount on 2011 certificates of participation, series B	(24,031)
	$ 1,710,969

Capital Leases

The District's liability on lease agreements is summarized below:

	Energy Management
Balance, July 1, 2018	$ 17,538,809
Additions	-
Payments	1,054,901
Balance, July 1, 2019	$ 16,483,908

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 1,043,564
2021	1,088,913
2022	1,136,241
2023	1,047,810
2024	1,185,635
2025-2029	6,747,914
2030-2034	4,233,831
Total	16,483,908
Less: Amount Representing Interest	3,958,763
Present Value of Minimum Lease Payments	$ 12,525,145

Notes from Direct Borrowings and Direct Placements

Debt Service Requirements to Maturity

Year Ending June 30,	Lease Payment	Interest	Interest
2020	$ 100,000	$ 123,221	$ 223,221
2021	100,000	143,070	243,070
2022	100,000	140,220	240,220
2023	270,000	137,370	407,370
2024	270,000	129,675	399,675
2025-2029	2,530,000	498,893	3,028,893
2030-2034	1,750,000	99,038	1,849,038
Total	$ 5,120,000	$ 1,271,487	$ 6,391,487

Notes from Direct Borrowings and Direct Placements

2019 Notes from Direct Borrowings and Direct Placements

In June 2019, the District entered into a refinancing lease in the amount $5,120,000 with the Lucia Mar Unified School District Financing Corporation to refinance the aquisition and construction of District Facilities that were originally financed by the District's Certificate of Participation of 2004, Series B, and of 2011, Series A by prepaying the outstanding Certificates. The refinancing lease matures on May 1, 2033, with an interest rate of 2.85 percent.	$ 5,120,000
Deferred amount on refunding	(64,771)
	$ 5,055,229

Supplemental Employee Retirement Plan (SERP)

Public Agency Retirement Services (PARS)

During the year ended June 30, 2015, the District adopted the Public Agency Retirement Services (PARS) for employees to mitigate layoffs and benefit from projected net savings to the District. PARS offers retirement incentives to all eligible classified and certificated employees who wish to voluntarily exercise their option to separate from the District by offering a retirement incentive program supplementing CalPERS and CalSTRS, and qualifying under the relevant subsections of Section 403(b) of the Internal Revenue Service.

Upon retirement, PARS offers retirement incentives to eligible classified and certificated employees who wish to voluntarily exercise their option to separate from the District, which supplements CalSTRS and CalPERS and qualifies under the relevant subsections of Section 403(b) of the Internal Revenue Service. Currently, there are 39 employees participating in this plan, and the District's made the final payment of $429,111 by the end of June 30, 2019.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $759,565.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 17,796,468	$ 352,243	$ 314,562	$ (536,500)
Medicare Premium Payment (MPP) Program	636,137	-	-	(56,904)
Total	$ 18,432,605	$ 352,243	$ 314,562	$ (593,404)

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At July 1, 2017 valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	145
Active employees	944
	1,089

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.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Lucia Mar Unified Teachers Association (LMUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required benefit payment is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, LMUTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $2,097,641 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $17,796,468 was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability for the measurement period of June 30, 2019, was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2017 and rolling forward the total OPEB liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.00 percent, average, including inflation
Discount Rate	3.13 percent
Healthcare cost trend rates	5.00 percent for 2019

The discount rate was based on the Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Employee Mortality Table for pre-retirement mortality and RP-2014 Healthy Annuitant Mortality for post-retirement mortality released by the Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC). Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actual experience study for the period July 1, 2015 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 17,935,787
Service cost	948,835
Interest	611,646
Changes of assumptions or other inputs	397,841
Benefit payments	(2,097,641)
Net change in total OPEB liability	(139,319)
Balance at June 30, 2019	$ 17,796,468

Changes in assumptions reflect a change in the healthcare cost trend rate from 6 percent in 2017 to 5 percent in 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.13%)	$ 18,605,004
Current discount rate (3.13%)	17,796,468
1% increase (4.13%)	16,985,946

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (4.00%)	$ 16,891,046
Current healthcare cost trend rate (5.00%)	17,796,468
1% increase (6.00%)	18,865,498

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $(536,500). At June 30, 2019, the District reported deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 352,243	$ 314,562

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 660
2021	660
2022	660
2023	660
2024	660
Thereafter	34,381
	$ 37,681

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of $636,137 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.1662 percent and 0.1647, respectively, resulting in a net increase in the proportionate share of 0.0015 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(56,904).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 703,599
Current discount rate (3.58%)	636,137
1% increase (4.58%)	575,223

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB pension liability would be if it were calculated using a Medicare costs trend rates that is one percent lower or higher than the current rate:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 580,093
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	636,137
1% increase (4.7% Part A and 5.1% Part B)	696,412

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,000	$ -	$ -	$ -	$ 20,000
Stores inventories	26,026	-	-	-	26,026
Prepaid expenditures	453,618	-	-	-	453,618
Total Nonspendable	499,644	-	-	-	499,644
Restricted					
Legally restricted programs	2,937,242	-	-	546,871	3,484,113
Capital projects	-	39,605,850	-	5,193,637	44,799,487
Debt services	-	-	20,241,626	49,745	20,291,371
Total Restricted	2,937,242	39,605,850	20,241,626	5,790,253	68,574,971
Committed					
Deferred Maintenance Program	-	-	-	6,076	6,076
Adult Education Program	-	-	-	88,265	88,265
Total Committed	-	-	-	94,341	94,341
Assigned					
Site carryover	90,456	-	-	-	90,456
Furniture carryover	480	-	-	-	480
LCAP carryover	692,561	-	-	-	692,561
Cuesta dual enrollment carryover	133,208	-	-	-	133,208
Site library funds carryover	2,594	-	-	-	2,594
CTE Carryover	96,207	-	-	-	96,207
One-Time Budgets C/O	706,644	-	-	-	706,644
Reserve duture economic uncertanties	9,035,155	-	-	-	9,035,155
Compensated vacation liability	759,565	-	-	-	759,565
Site Lottery Carryover	24,662	-	-	-	24,662
Reserve EPA	189,274	-	-	-	189,274
Capital projects	-	-	-	4,715,377	4,715,377
Total Assigned	11,730,806	-	-	4,715,377	16,446,183
Unassigned					
Reserve for economic uncertainties	3,572,403	-	-	-	3,572,403
Total	$ 18,740,095	$ 39,605,850	$ 20,241,626	$ 10,599,971	$ 89,187,542

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District was a member of Self-Insured Schools of California Property and Liability Program (SISC II) for property and liability insurance coverage. 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.

Workers' Compensation

For fiscal year 2019, the District participated in Self-Insurance Program for Employees (SIPE), an insurance purchasing pool. The intent of the SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIPE. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIPE. Participation in the SIPE is limited to districts that can meet the SIPE selection criteria.

Employee Medical Benefits

The District is a member of Self-Insured Schools of California Health and Welfare Benefits Program (SISC III) to provide employee health benefits. SISC III is a shared risk pool comprised of various participating agencies. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a District subsequent to the settlement of all expenses and claims if a District withdraws from the pool.

NOTE 12 - 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, 2019, the District reported 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	$ 85,098,739	$ 23,405,073	$ 6,470,947	$ 10,015,028
CalPERS	35,133,553	9,967,930	-	7,106,368
Total	$ 120,232,292	$ 33,373,003	$ 6,470,947	$ 17,121,396

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, 2017, 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.

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 nonemployer 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $8,197,751.

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

At June 30, 2019, 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:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	85,098,739
State's proportionate share of the net pension liability associated with the District		48,723,008
Total	$	133,821,747

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.0926 percent and 0.0910 percent, respectively, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2019, the District recognized pension expense of $10,015,028. In addition, the District recognized pension expense and revenue of $5,723,855 for support provided by the State. At June 30, 2019, 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
Pension contributions subsequent to measurement date	$ 8,197,751	$ -
Net change in proportionate share of net pension liability	1,723,116	1,958,002
Differences between projected and actual earnings on pension plan investments	-	3,276,839
Differences between expected and actual experience in the measurement of the total pension liability	263,888	1,236,106
Changes of assumptions	13,220,318	-
Total	$ 23,405,073	$ 6,470,947

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.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 711,494
2021	(516,280)
2022	(2,749,140)
2023	(722,913)
Total	$ (3,276,839)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 2,283,244
2021	2,283,244
2022	2,283,241
2023	2,244,786
2024	2,750,277
Thereafter	168,422
Total	$ 12,013,214

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 124,659,694
Current discount rate (7.10%)	85,098,739
1% increase (8.10%)	52,298,868

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. 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, 2017 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 provide 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 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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, 2019, are presented above and the total District contributions were $3,278,091.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,133,553. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, was 0.1318 percent and 0.1281 percent, respectively, resulting in a net increase in the proportionate share of 0.0036 percent.

For the year ended June 30, 2019, the District recognized pension expense of $7,106,368. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	$ 3,278,091
Net change in proportionate share of net pension liability	590,507
Differences between projected and actual earnings on pension plan investments	288,175
Differences between expected and actual experience in the measurement of the total pension liability	2,303,227
Changes of assumptions	3,507,930
Total	$ 9,967,930

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.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,048,153
2021	250,657
2022	(803,261)
2023	(207,374)
Total	$ 288,175

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, and differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 2,803,054
2021	2,667,413
2022	931,197
Total	$ 6,401,664

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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.

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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 51,152,774
Current discount rate (7.15%)	35,133,553
1% increase (8.15%)	21,843,317

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 $4,496,845 (9.828 percent of annual payroll). 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018 -2019 contribution on-behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Prop 39 DW Grant Expenses	$ 59,170	August 2019
DW DSA Closeout Old Projects	52,920	September 2019
Var Sites Bottle Fill and Drink Fntns	20,000	June 2020
DW Site Signs Repl	20,000	June 2020
DL 2 Kinder Classrms Design	110,000	June 2020
DW Asphalt Seal Coating	37,500	August 2019
GB Ins Security Fencing and Sidewalks	10,200	August 2019
SB EMERG Repairs	40,000	June 2020
AG Rm#903 Replace Ceiling	17,534	September 2019
#0402 GB Modulars and Site Improvements	117,966	August 2019
#0403 HA Modulars and Site Improvements	155,037	July 2019
#0405 DA Modular Buildings	196,870	June 2021
#0407 OC Modular Bldgs and Site Improvements	443,205	October 2019
#0408 AGHS Band Room Demo/Music Building	99,375	September 2019
#0411 ME Modular Buildings	2,117,601	January 2020
#04113 JU Modular Bldgs	38,198	June 2021
#0418 NI Modular Bldgs and Site Improvements	831,753	October 2019
#0419 NHS AG Welding Shop	79,245	January 2020
#0438 BR MPR	138,515	June 2021
#0439 GH MPR Building	148,206	June 2021
#0440 PA Parking Lot	215,106	October 2019
#0453 OV ADA Parking	9,000	March 2020
#0456 AGHS 300 Wing Renovation (Rm 301-303)	10,000	July 2020
#0459 AGHS New Track/Stadium	3,352,216	January 2020
#0460 NHS New Track/Stadium	3,141,148	December 2019
#0461 DW Voip Phone System	48,998	August 2020
#0463 NI Concrete/ADA Upgrades	9,367	October 2019
#0464 BR Modular Bldgs	117,130	December 2020
#0471 NI Elem Modernization	168,710	September 2019
#0473 AGHS Culinary Arts Renovation	20,000	On Hold
#0478 NHS Security Cameras	16,230	Complete
#0480 GH Learning Commons/OLC	73,625	July 2022
#0482 JU Modernization	1,072,691	September 2019
#0486 HA Modular Bldgs Phase 2	1,904,495	September 2020
#0489 AGHS Boys/Girls Restroom Modernization	40,177	October 2019
#0493 AGHS Safety Video System	191,466	September 2019
#0494 GB Modernization	60,530	December 2019
#0497 ME Modernization	32,381	September 2019
#0499 NHS Sidewalk/Pedestrian Ramp	39,700	July 2019
	$ 15,256,265	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Self-Insurance Program for Employees (SIPE), Self-Insured Schools of California Property and Liability Program (SISC II), and Self-Insured Schools of California Health and Welfare Benefits Program (SISC III) public entity risk pools and the Santa Lucia Regional Occupational Program (SLROP) and Central California Schools Financing Authority (CCSFA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its workers' compensation, and property liability and health coverage. Payments for the Regional Occupation Program and the tax collections are exchanged with SLROP and CCSFA, respectively. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2019, the District made payments of $1,680,766, $824,250, and $14,105,196 to SIPE, SISC II, and SISC III, respectively, for workers' compensation, property liability, and health coverage for active employees.

NOTE 15 - SUBSEQUENT EVENTS

Lucia Mar Unified School District desires to purchase from San Luis Obispo County Office of Education the building that housed the Mesa View Community School. On July 1, 2019, Lucia Mar Unified School District entered into a Memorandum of Understanding (MOU) with San Luis Obispo County Office of Education to lease the Mesa View Community School. The term of the MOU is for one year. During the term of the MOU, Lucia Mar Unified School District will complete its due diligence prior to entering into a final purchase and sales agreement for the property.

REQUIRED SUPPLEMENTARY INFORMATION

LUCIA MAR UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual (GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 96,725,495	$ 97,093,139	$ 97,144,404	$ 51,265
Federal sources	5,109,800	5,196,195	4,077,718	(1,118,477)
Other State sources	9,804,839	12,390,711	17,388,872	4,998,161
Other local sources	2,844,780	4,049,663	5,058,123	1,008,460
Total Revenues [1]	114,484,914	118,729,708	123,669,117	4,939,409
EXPENDITURES				
Current				
Certificated salaries	50,866,480	52,586,800	52,304,804	281,996
Classified salaries	17,296,875	17,885,625	17,792,691	92,934
Employee benefits	28,709,311	29,771,951	34,045,110	(4,273,159)
Books and supplies	5,958,669	7,867,019	5,741,792	2,125,227
Services and operating expenditures	9,764,126	10,895,311	9,617,452	1,277,859
Other outgo	1,628,841	1,649,047	1,663,823	(14,776)
Capital outlay	272,930	1,438,653	1,304,083	134,570
Debt service - Principal	521,457	521,457	533,444	(11,987)
Debt service - Interest	533,445	533,445	521,457	11,988
Total Expenditures [1]	115,552,134	123,149,308	123,524,656	(375,348)
Excess (Deficiency) of Revenues Over Expenditures	(1,067,220)	(4,419,600)	144,461	4,564,061
Other Financing Sources (Uses)				
Transfers out			(17,632)	(17,632)
Net Financing (Uses)	-	-	(17,632)	(17,632)
NET CHANGE IN FUND BALANCES	(1,067,220)	(4,419,600)	126,829	4,546,429
Fund Balance	18,613,266	18,613,266	18,613,266	-
Fund Balance - Ending	$ 17,546,046	$ 14,193,666	$ 18,740,095	$ 4,546,429

[1] On behalf payments of $4,462,196 related to Senate Bill 90 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 948,835	$ 982,922
Interest	611,646	558,637
Change in Deferred Inflows	-	(359,500)
Changes of assumptions	397,841	(44,938)
Benefit payments	(2,097,641)	(2,082,252)
Net change in total OPEB liability	(139,319)	(945,131)
Total OPEB liability - beginning	17,935,787	18,880,918
Total OPEB liability - ending	$ 17,796,468	$ 17,935,787
Covered payroll	N/A[1]	N/A[1]
District's net OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

[1] The District's OPEB Plan is not administered through a trust, and contributions are not made based on a

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1662%	0.1647%
District's proportionate share of the net OPEB liability	$ 636,137	$ 693,041
District's covered payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program;

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
District's proportion of the net pension liability	0.0926%	0.0910%	0.0920%
District's proportionate share of the net pension liability	$ 85,098,739	$ 84,148,272	$ 74,446,154
State's proportionate share of the net pension liability associated with the District	48,723,008	49,781,407	42,380,868
Total	$ 133,821,747	$ 133,929,679	$ 116,827,022
District's covered payroll	$ 48,743,267	$ 48,743,267	$ 45,792,675
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.59%	172.64%	162.57%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	71%	69%	70%
CalPERS			
District's proportion of the net pension liability	0.1318%	0.1281%	0.1274%
District's proportionate share of the net pension liability	$ 35,133,553	$ 30,588,667	$ 25,163,543
District's covered payroll	$ 16,307,595	$ 16,307,595	$ 10,586,883
District's proportionate share of the net pension liability as a percentage of its covered payroll	215.44%	187.57%	237.69%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	71%	72%	74%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
0.0953%	0.0933%
$ 64,171,675	$ 54,507,034
33,939,742	32,913,700
$ 98,111,417	$ 87,420,734
$ 44,399,809	$ 41,485,906
144.53%	131.39%
74%	77%
0.1270%	0.1220%
$ 18,722,036	$ 13,850,470
$ 14,074,573	$ 12,824,541
133.02%	108.00%
79%	83%

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018	2017
CalSTRS			
Contractually required contribution	$ 8,197,751	$ 7,177,713	$ 6,131,903
Contributions in relation to the contractually required contribution	8,197,751	7,177,713	6,131,903
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 49,741,601	$ 48,743,267	$ 48,743,267
Contributions as a percentage of covered payroll	16.28%	14.43%	12.58%
CalPERS			
Contractually required contribution	$ 3,278,091	$ 2,695,330	$ 2,265,125
Contributions in relation to the contractually required contribution	3,278,091	2,695,330	2,265,125
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 17,355,634	$ 16,307,595	$ 16,307,595
Contributions as a percentage of covered payroll	18.06%	15.53%	13.89%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
$ 4,913,554	$ 3,942,703
4,913,554	3,942,703
$ -	$ -
$ 45,792,675	$ 44,399,809
10.73%	8.88%
$ 1,254,228	$ 1,656,718
1,254,228	1,656,718
$ -	$ -
$ 10,586,883	$ 14,074,573
11.85%	11.77%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the District's major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General Fund	$ 123,149,308	$ 123,542,288	$ 392,980

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation

Changes of Assumptions – The healthcare cost trend rate from 6.00 percent in 2017 to 5.00 percent in 2019.

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster			
School Breakfast Basic	10.553	13390	$ 14,155
School Breakfast Needy	10.553	13526	597,982
National School Lunch	10.555	13523	1,690,950
Summer Food Service	10.559	13004	37,409
Food Distribution	10.555	13524	280,932
Subtotal Child Nutrition Cluster			2,621,428
Child and Adult Care Food Program	10.558	13393	370,328
Forest Service Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	2,171
Total U.S. Department of Agriculture			2,993,927
U.S. DEPARTMENT OF EDUCATION			
Passed through CDE:			
Adult Education - Basic Grants to States			
Adult Basic Education and ELA	84.002A	14508	33,536
Adult Secondary Education	84.002	13978	66,000
English Literacy and Civics Education	84.002A	14109	5,852
Elementary and Secondary Education Act			
Title I, Part A	84.010	14329	1,329,321
Title I, Part C			
Migrant Ed (Regular and Summer Program)	84.011	14326	18,036
Migrant Education (MESRP)	84.011	10144	1,113
Title II, Part A	84.367	14341	182,214
Title III			
Immigrant Student Program	84.365	15146	8,953
English Learner Student Program	84.365	14346	129,438
Title IV, Part A	84.424	15391	51,444
School Improvement (CSI) Funding for LEAs	84.389	15438	3,729
Education for Homeless Children and Youth, Subtitle VII-B	84.196	14332	74,999
Special Education Cluster			
Local Assistance - Basic	84.027	13379	1,892,293
Local Assistance - Private Schools ISPs	84.027	10115	21,677
Preschool Grants	84.173	13430	53,624
Subtotal Special Education Cluster			1,967,594
Vocational Educational Grant			
Carl Perkins	84.048	14894	58,166
Total U.S. Department of Education			3,930,395
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health and Human Services:			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	381,199
Total Expenditures of Federal Awards			$ 7,305,521

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Lucia Mar Unified School District was unified in 1965, and consists of an area comprising approximately 483 square miles. The District operates eleven elementary schools, three middle schools, three high schools, one continuation high school, and one adult education program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Chad Robertson	President	2022
Vicki Meagher	Vice President	2020
Colleen Martin	Clerk	2022
Vern Dahl	Member	2022
Dee Santos	Member	2020
Dawn Meek	Member	2022
Don Stewart	Member	2020

ADMINISTRATION

Andy Stenson	Superintendent
Jim Empey	Assistant Superintendent, Business
Paul Fawcett, Ed.D.	Assistant Superintendent, Human Resources
Hillery Dixon	Assistant Superintendent, Curriculum
Jennifer Handy	Director, Special Education

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,906.84	2,910.41
Fourth through sixth	2,211.89	2,208.59
Seventh and eighth	1,541.28	1,537.49
Ninth through twelfth	3,209.97	3,181.57
Total Regular ADA	9,869.98	9,838.06
Extended Year Special Education		
Transitional kindergarten through third	2.62	2.62
Fourth through sixth	1.92	1.92
Seventh and eighth	1.05	1.05
Ninth through twelfth	3.76	3.76
Total Extended Year Special Education	9.35	9.35
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.35	-
Total ADA	9,879.68	9,847.41

See accompanying note to supplementary information.

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,820	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,815	180	N/A	Complied
Grade 2		51,815	180	N/A	Complied
Grade 3		51,815	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,262	180	N/A	Complied
Grade 5		54,262	180	N/A	Complied
Grade 6		57,220	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		57,220	180	N/A	Complied
Grade 8		57,220	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,312	180	N/A	Complied
Grade 10		65,312	180	N/A	Complied
Grade 11		65,312	180	N/A	Complied
Grade 12		65,312	180	N/A	Complied

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND				
Revenues	$ 115,555,402	$ 123,669,117	$ 112,277,393	$ 111,759,170
Expenditures	119,215,210	123,524,656	116,813,312	110,179,881
Other uses and transfers out	50,000	17,632	-	-
Total Expenditures and Other Uses	119,265,210	123,542,288	116,813,312	110,179,881
INCREASE (DECREASE) IN FUND BALANCE	$ (3,709,808)	$ 126,829	$ (4,535,919)	$ 1,579,289
ENDING FUND BALANCE	$ 15,030,287	$ 18,740,095	$ 18,613,266	$ 23,149,185
AVAILABLE RESERVES [2]	$ 3,577,956	$ 3,572,403	$ 3,504,399	$ 3,305,396
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.08%	3.08%	3.08%
LONG-TERM OBLIGATIONS [3]	N/A	$ 144,963,812	$ 156,282,698	$ 108,331,829
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,777	9,880	10,029	10,159

The General Fund balance has decreased by $4,409,090 over the past two years. The fiscal year 2019-2020 budget projects a further decrease of $3,709,808 (19.80 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $36,631,983 over the past two years.

Average daily attendance has decreased by 279 over the past two years. Additional decline of 103 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all funds reserved for economic uncertainty contained within the General Fund.
[3] Additional on behalf payments related to SB 90 (chapter 33, Statues of 2019) of $4,462,196 have been excluded from the calculations of available reserves from the fiscal year June 30, 2019.

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 231,526	$ 51,812	$ 6,076
Receivables	58,364	429,229	-
Stores inventories	-	44,561	-
Total Assets	$ 289,890	$ 525,602	$ 6,076
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,502	$ 17,973	$ -
Due to other funds	-	159,881	-
Total Liabilities	2,502	177,854	-
Fund Balances:			
Restricted	199,123	347,748	-
Committed	88,265	-	6,076
Assigned	-	-	-
Total Fund Balances	287,388	347,748	6,076
Total Liabilities and Fund Balances	$ 289,890	$ 525,602	$ 6,076

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 4,275,945	$ 983,005	$ 4,716,388	$ 49,745	$ 10,314,497
-	-	-	-	487,593
-	-	-	-	44,561
$ 4,275,945	$ 983,005	$ 4,716,388	$ 49,745	$ 10,846,651
$ 65,313	$ -	$ 1,011	$ -	86,799
-	-	-	-	159,881
65,313	-	1,011	-	246,680
4,210,632	983,005	-	49,745	5,790,253
-	-	-	-	94,341
-	-	4,715,377	-	4,715,377
4,210,632	983,005	4,715,377	49,745	10,599,971
$ 4,275,945	$ 983,005	$ 4,716,388	$ 49,745	$ 10,846,651

LUCIA MAR UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	$ -	$ -	$ 200,000
Federal sources	105,388	2,991,756	-
Other State sources	65,621	181,965	-
Other local sources	543,537	511,901	1,418
Total Revenues	714,546	3,685,622	201,418
EXPENDITURES			
Current			
Instruction	398,443	-	-
Instruction-related activities:			
School site administration	344,221	-	-
Pupil services:			
Food services	-	3,245,221	-
Administration:			
All other administration	24,838	155,102	-
Plant services	-	209,333	195,470
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	767,502	3,609,656	195,470
Excess (Deficiency) of Revenues Over Expenditures	(52,956)	75,966	5,948
Other Financing Sources (Uses)			
Transfers in	-	17,632	-
Other sources - notes from direct borrowings and direct placements	-	-	-
Transfers out	-	-	-
Other uses - payment for debt refunding	-	-	-
Net Financing Sources (Uses)	-	17,632	-
NET CHANGE IN FUND BALANCES	(52,956)	93,598	5,948
Fund Balance - Beginning	340,344	254,150	128
Fund Balance - Ending	$ 287,388	$ 347,748	$ 6,076

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 200,000
-	-	-	-	3,097,144
-	2,000,000	-	-	2,247,586
1,858,613	31,799	1,054,835	61,377	4,063,480
1,858,613	2,031,799	1,054,835	61,377	9,608,210
-	-	-	-	398,443
-	-	-	-	344,221
-	-	-	-	3,245,221
-	-	-	-	179,940
212,513	-	20,087	-	637,403
368,814	-	230,425	-	599,239
-	-	195,000	165,000	360,000
-	-	-	494,640	494,640
581,327	-	445,512	659,640	6,259,107
1,277,286	2,031,799	609,323	(598,263)	3,349,103
-	-	1,671,061	499,478	2,188,171
-	-	-	5,120,000	5,120,000
(292,360)	(1,671,061)	(207,118)	-	(2,170,539)
-	-	-	(5,032,333)	(5,032,333)
(292,360)	(1,671,061)	1,463,943	587,145	105,299
984,926	360,738	2,073,266	(11,118)	3,454,402
3,225,706	622,267	2,642,111	60,863	7,145,569
$ 4,210,632	$ 983,005	$ 4,715,377	$ 49,745	$ 10,599,971

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 7,174,862
Medi-Cal Billing Option	93.778	130,659
Total Schedule of Expenditures of Federal Awards		$ 7,305,521

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

INDEPENDENT AUDITOR'S REPORTS

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucia Mar Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lucia Mar Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lucia Mar Unified School 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 Lucia Mar Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lucia Mar Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lucia Mar Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of Lucia Mar Unified School District in a separate letter dated December 4, 2019.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

EideBailly.

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on Compliance for Each Major Federal Program

We have audited Lucia Mar Unified School 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 Lucia Mar Unified School District's major Federal programs for the year ended June 30, 2019. Lucia Mar Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Lucia Mar Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lucia Mar Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Lucia Mar Unified School District's compliance.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Opinion on Each Major Federal Program

In our opinion, Lucia Mar Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Lucia Mar Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lucia Mar Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lucia Mar Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

EideBailly.

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on State Compliance

We have audited Lucia Mar Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Lucia Mar Unified School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lucia Mar Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lucia Mar Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Lucia Mar Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Lucia Mar Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

In connection with the audit referred to above, we selected and tested transactions and records to determine the Lucia Mar Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, See Below
Comprehensive School Safety Plan	Yes
District of Choice	No, See Below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, See Below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, See Below
CHARTER SCHOOLS	
Attendance	No, See Below
Mode of Instruction	No, See Below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, See Below
Determination of Funding for Non Classroom-Based Instruction	No, See Below
Annual Instruction Minutes Classroom-Based	No, See Below
Charter School Facility Grant Program	No, See Below

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High School Program; therefore, we did not perform any procedures related to Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform any procedures related to the Independent Study – Course Based Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LUCIA MAR UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

LUCIA MAR UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

LUCIA MAR UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

EideBailly

CPAs & BUSINESS ADVISORS

Management
Lucia Mar Unified School District
Arroyo Grande, California

In planning and performing our audit of the basic financial statements of the Lucia Mar Unified School District (the District) for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2019, on the financial statements of the District.

PRIOR YEAR OBSERVATIONS AND RECOMMENDATIONS

Nipomo High School

Associated Student Body (ASB) - Inventory

Observation

In reviewing the monthly reconciliation and financial statements, we noted that the inventory detail balances do not equal the inventory balance in the financial statements. The purpose of performing the monthly inventory reconciliation is to ensure that no errors have occurred in counting inventory, and that the inventory balances and monthly activity is accurately reported.

Recommendation

The site should ensure that the reconciled details of assets of the student body equal the balances in the financial statements. If an unreconciled difference is found, it should be investigated to determine in what account (asset, liability, agency or trust account balance) the error has occurred. The account would then be adjusted appropriately.

Current Status

Implemented.

Management
Lucia Mar Unified School District

Judkins Middle School

Associated Student Body (ASB) - Minutes

Observation

The minutes of the student council meetings are not completed as suggested in the Fiscal Crisis and Management Assistance Team's manual titled, ASB Accounting Manual, Fraud Prevention Guide and Desk Reference. The following issues were noted regarding the student council minutes: ASB minutes were only provided for one meeting in the first semester and one meeting for the second semester, proper documentation was not maintained for student council meetings for the remaining part of the first and second semester, and student council approval of the majority of cash disbursements and fundraising activities were unable to be verified.

Recommendation

Student council minutes should be maintained for every student council meeting clearly documenting the approval of disbursement, fundraising activities, and any other item that requires student council approval.

Current Status

Implemented.

ASB - Receiving Documentation

Observation

One of fourteen disbursements were not adequately supported by proper documentation. Without the control document of a purchase request form and receiving documentation, club spending might deplete the group's account causing a deficit club account balance. Receiving documentation ensures that the club/ASB received all of the items ordered. By initialing or signing an invoice, the bookkeeper knows that all the merchandise was received prior to paying for the order.

Recommendation

All merchandise for expenditures through ASB should be received at the school and properly documented so the ASB bookkeeper can make prompt payments.

Current Status

Implemented.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 4, 2019

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Lucia Mar Unified School District (the "District") in connection with the issuance of $40,000,000 of the District's Election of 2016 General Obligation Bonds, Series C (the "Bonds"). The Bonds are being issued pursuant to Resolution of the District adopted on April 21, 2020. The District covenants and agrees as follows:

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

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

"Annual Report" shall mean any Annual Report provided by the 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 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" means: (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) 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.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

"Official Statement" means that certain official statement, dated as of May 28, 2020, relating to the offering and sale of the Bonds.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"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 shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2019-20 fiscal year, which would be due on April 1, 2021, 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 thirty (30) days (nor more than sixty (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 fifteen (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. 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 file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. 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.

2. 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):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed valuation of taxable property within the District for the current fiscal year;

(f) if San Luis Obispo County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the secured ad valorem property tax levies, collections and delinquencies for the District for the most recently completed fiscal year; and

(g) top twenty property owners in the District for the current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value, if material.

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.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, 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 Bonds 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 or 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. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), 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.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) 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 Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

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 Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

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 or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

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 bondholders.

(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 redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. 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 and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

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 the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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(a), and (ii) the Annual Report for the year in which the change is made should 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 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 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. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: June 11, 2020

LUCIA MAR UNIFIED SCHOOL DISTRICT

By: ____________________________________

Jim Empey
Assistant Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: LUCIA MAR UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2016 General Obligation Bonds, Series C

Date of Issuance: June 11, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

LUCIA MAR UNIFIED SCHOOL DISTRICT

By [form only; no signature required]

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

ECONOMIC AND DEMOGRAPHIC PROFILE OF THE CITY OF ARROYO GRANDE AND SAN LUIS OBISPO COUNTY

The following information regarding the City of Arroyo Grande (the "City"), and San Luis Obispo County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been independently verified by the District, Bond Counsel or the Underwriter.

General

City of Arroyo Grande. Incorporated in 1911, the City is located less than five miles inland from the central State of California (the "State") coastline and encompasses 5.45 square miles. It has a Council-Manager form of government, composed of a Mayor and four City Council members elected at large to four-year staggered terms. The City Council hires the City Manager, who serves as the administrative head of City government. The City has recently formed a Tourism Business Improvement District, which has helped to increase development.

San Luis Obispo County. Located on the central coast of the State, midway between Los Angeles and San Francisco, the County was incorporated in 1850 as one of the original 27 counties in the State. The County encompasses an area of approximately 3,616 square miles and includes seven incorporated cities, approximately 43% of the population resides in unincorporated areas. It is a general law county governed by a five member County Board of Supervisors, the members of which are elected to four-year staggered terms in nonpartisan districts. The County Board of Supervisors hires the County Administrator, who is responsible for overseeing the day-to-day operations of the County. While the State has a major presence within the County as the largest employer, the County is also known as a tourism destination.

[REMAINDER OF PAGE LEFT BLANK]

Population

The following table shows historical population figures for the City, the County and the State from 2011 through 2020.

POPULATION ESTIMATES
2011 through 2020
City of Arroyo Grande, San Luis Obispo County and the State of California

Year[1]	City of Arroyo Grande	San Luis Obispo County	State of California
2011	17,306	270,251	37,561,624
2012	17,343	271,933	37,924,661
2013	17,566	273,882	38,269,864
2014	17,655	276,091	38,556,731
2015	17,789	276,880	38,870,150
2016	17,858	277,833	39,131,307
2017	17,842	278,585	39,398,702
2018	17,864	278,597	39,586,646
2019	17,839	278,355	39,695,376
2020	17,687	277,259	39,782,870

(1) As of January 1.
Source: 2011-20 (2010 Benchmark): California Department of Finance for January 1.

Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME[1]
2010 through 2019
San Luis Obispo County, State of California, and United States

Year	San Luis Obispo County	State of California	United States
2010	$40,233	$43,636	$40,547
2011	42,699	46,175	42,739
2012	44,670	48,813	44,605
2013	46,004	49,303	44,860
2014	48,352	52,363	47,071
2015	51,714	55,808	48,994
2016	53,041	57,801	49,890
2017	55,635	60,219	51,910
2018	58,491	63,711	54,526
2019	[2]	66,661	56,663

(1) All dollar estimates are in current dollars (not adjusted for inflation).
(2) Data for 2019 not yet available.
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. Estimates for 2010 through 2018 reflect county population estimates available as of March 2019.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2015 through 2019 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2015 through 2019[1]
City of Arroyo Grande, San Luis Obispo County, State of California, and United States

Year and Area	Labor Force	Employment[2]	Unemployment[3]	Unemployment Rate (%)
2015				
City of Arroyo Grande	9,100	8,700	400	4.1
San Luis Obispo County	138,900	132,300	6,600	4.7
State of California	18,828,800	17,660,700	1,168,100	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Arroyo Grande	9,200	8,800	300	3.8
San Luis Obispo County	139,500	133,400	6,000	4.3
State of California	19,021,200	17,980,100	1,041,100	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Arroyo Grande	9,200	8,900	300	3.1
San Luis Obispo County	140,400	135,400	5,000	3.6
State of California	19,176,400	18,257,100	919,300	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Arroyo Grande	9,200	9,000	200	2.6
San Luis Obispo County	140,300	136,000	4,200	3.0
State of California	19,280,800	18,460,700	820,100	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Arroyo Grande	9,300	9,000	200	2.5
San Luis Obispo County	140,900	136,900	4,000	2.9
State of California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7

Note: Data are 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 2019 Benchmark.

Industry

The County is included in the San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area. The distribution of employment is presented in the following table for the calendar years 2015 through 2019. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2015 through 2019
San Luis Obispo County (San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area)

Category	2015	2016	2017	2018	2019
Total Farm	5,000	4,800	5,200	5,200	4,900
Total Nonfarm	111,400	113,900	116,300	117,800	119,900
Total Private	87,800	90,000	92,200	93,500	95,500
Goods Producing	13,700	14,200	14,700	15,600	16,000
Mining, Logging and Construction	6,700	7,200	7,500	7,900	8,200
Manufacturing	7,000	7,000	7,300	7,700	7,800
Nondurable Goods	3,700	3,900	4,200	4,500	4,600
Service Providing	97,600	99,800	101,600	102,200	103,900
Private Service Providing	74,100	75,900	77,500	77,900	79,400
Trade, Transportation and Utilities	20,800	21,000	21,100	20,900	20,700
Wholesale Trade	2,800	2,900	2,800	2,700	2,700
Retail Trade	13,900	14,100	14,300	14,300	14,000
Transportation, Warehousing and Utilities	4,000	4,100	4,000	3,900	4,000
Information	1,500	1,300	1,300	1,300	1,300
Financial Activities	3,900	3,800	3,900	3,900	3,800
Professional and Business Services	10,100	10,500	10,700	10,800	11,300
Educational and Health Services	16,500	17,000	17,400	17,700	18,300
Leisure and Hospitality	17,600	18,500	19,100	19,200	19,900
Other Services	3,800	3,800	4,000	4,000	4,100
Government	23,600	23,900	24,100	24,300	24,400
Total, All Industries	116,400	118,800	122,500	123,000	124,800

Note: The "Total, All Industries" data are not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2019 Benchmark.

Principal Employers

The following table lists the principal employers located in the County.

PRINCIPAL EMPLOYERS
2019
San Luis Obispo County

Employer Name	Number of Employees	Percentage of Total County Employment
Cal Poly State University, SLO	3,000	2.12%
County of San Luis Obispo	2,920	2.06
Atascadero State Hospital	2,000	1.41
Pacific Gas and Electric Company	1,866	1.32
California Men's Colony	1,517	1.07
Cal Poly Corporation	1,400	0.99
Tenet Healthcare	1,305	0.92
Compass Health Inc.	1,200	0.85
Lucia Mar Unified School District(1)	1,000	0.71
Paso Robles Public Schools	935	0.66

(1) For additional employment information regarding the District, see "LUCIA MAR UNIFIED SCHOOL DISTRICT – Labor Relations" in the forepart of this Official Statement.
Source: County of San Luis Obispo Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2019.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2015 through 2018 are shown in the following tables.

TAXABLE SALES
2015 through 2018
City of Arroyo Grande
(Dollars in Thousands)

Year	Retail and Food Services Outlets	Retail Stores Taxable Transactions	Total Outlets	Total Taxable Transactions
2015	485	$176,939	424	$215,888
2016	504	289,386	792	319,036
2017	553	311,301	847	342,847
2018	553	313,376	877	346,271

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2015 through 2018
San Luis Obispo County
(Dollars in Thousands)

Year	Retail and Food Services Outlets	Retail Stores Taxable Transactions	Total Outlets	Total Taxable Transactions
2015	6,698	$3,514,981	11,062	$4,983,875
2016	7,004	3,573,185	11,567	5,059,223
2017	7,210	3,730,441	11,955	5,341,390
2018	7,181	3,865,203	12,387	5,416,332

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2014 through 2018 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
City of Arroyo Grande
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$7,645	$5,623	$8,591	$11,706	$10,852
Non-Residential	6,317	13,953	2,539	16,690	3,850
Total	$13,962	$19,576	$11,130	$28,396	$14,702
Units					
Single Family	13	13	30	48	29
Multiple Family	28	0	2	2	0
Total	41	13	32	50	29

Note: Columns may not sum to totals because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
San Luis Obispo County
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$295,624	$287,715	$279,712	$328,232	$267,300
Non-Residential	116,168	144,025	157,487	120,402	167,767
Total	$411,792	$431,740	$437,199	$448,634	$435,067
Units					
Single Family	728	664	531	696	636
Multiple Family	247	216	283	445	207
Total	975	880	814	1,141	843

Note: Columns may not sum to totals because of rounding.
Source: Construction Industry Research Board.

APPENDIX E

SAN LUIS OBISPO COUNTY INVESTMENT POOL

The following information concerning the San Luis Obispo County (the "County") Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer"), and has not been confirmed or verified by the District or the Underwriter. Neither the District nor the Underwriter has made an independent investigation of the investments in the Investment Pool nor any assessment of the current County investment policy. The value of the various investments in the Investment 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 may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter makes 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 is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: http://www.slocounty.ca.gov/tax.htm. However, the information presented on such website is not incorporated into this Official Statement by any reference.

(THIS PAGE INTENTIONALLY LEFT BLANK)

QUARTERLY REPORT OF INVESTMENTS
QUARTER ENDING MARCH 31, 2020

DESCRIPTION

This is a summary of the Treasurer's investment operations for the quarter ending March 31, 2020, and a statement of compliance to the currently adopted County Treasurer's Investment Policy.

SUMMARY

As of March 31, 2020, the Combined Pool of Investments totals were:

Cash on Hand/Banks	$	22,724,887.73
Investments:		
Principal Cost	$	1,048,781,575.21
Market Value	$	1,062,993,239.88
Weighted Average Days to Maturity		263

The details of each investment held by the Treasury as of March 31, 2020, can be found on the Treasury Pool Detail Report attached to this summary. The market value information for this report came from Union Bank, Broker/Dealer provided estimates, or was derived through market value calculations.

FOR FINANCIAL STATEMENT REPORTING PURPOSES ONLY					
Amortized Cost	$	1,049,153,990.30	Market Value	$	1,062,993,239.88
Cash on Hand/Banks	$	22,724,887.73	Cash on Hand/Banks	$	22,724,887.73
Accrued Interest	$	3,875,234.87	Accrued Interest	$	3,875,234.87
Total in Treasury	$	1,075,754,112.90	Total Market Value	$	1,089,593,362.48

Participating Dollar Factor: 1.012864695951
(Derived by dividing total market value by total amount in Treasury)

The value of each participating dollar equals the agency's fund balance as of March 31, 2020, (available from the County Auditor-Controller's Office) multiplied by the participating dollar factor. This equates to approximately a $1,286.47 increase per $100,000.

SEPARATELY MANAGED FUNDS

As of March 31, 2020, the moneys being managed by contracted parties were:

Principal Cost	$	35,988,337.38
Market Value	$	36,214,876.05

The details of the funds being managed by contracted parties can be found on the Separately Managed Funds Detail Report attached to this summary.

STATEMENT OF COMPLIANCE

LIQUIDITY

The Treasury will be able to meet the expenditures of the County for the next six months due to anticipated revenues, cash flow from operations, and scheduled maturities in anticipation of expenditures. In addition, portions of the portfolio can be liquidated to meet any significant unexpected cash flow needs.

INVESTMENT

The investment portfolio as of the quarter ending March 31, 2020, was reviewed and found to be in compliance with the current County Treasurer's Investment Policy. The Treasury continues to maintain its conservative and prudent investment objectives, which in order of priority are safety, liquidity, and yield, while maintaining compliance with federal, state, and local laws and regulations.

REPORT FILING/DISTRIBUTION

In compliance with the California Government Code this report is submitted to:

Board of Supervisors
County Administrative Officer
County Treasury Oversight Committee

Respectfully submitted on April 17, 2020

/S/ JAMES W. HAMILTON, CPA
Auditor, Controller, Treasurer, Tax Collector

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
TREASURY POOL DETAIL REPORT - 3/31/2020 PORTFOLIO
AS OF: 4/1/2020 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instrument	Invest. Number	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val(incls Acc. Int)
04/01/2020	CT	CT-STF	32	69,964,049.72	69,964,049.72	0.00	69,964,049.72	69,964,049.72	69,950,119.68	69,950,119.68
CALTRUST				69,964,049.72	69,964,049.72	0.00	69,964,049.72	69,964,049.72	69,950,119.68	69,950,119.68
04/06/2020	ZB	FFCB	17-0015	6,008,958.84	6,008,958.84	46,666.67	6,046,707.53	6,000,000.00	6,000,840.00	6,047,506.67
04/13/2020	WF	FFCB	17-0020	6,000,000.00	6,000,000.00	43,400.00	6,043,400.00	6,000,000.00	6,002,520.00	6,045,920.00
04/13/2020	UB	FFCB	17-0026	5,999,760.00	6,003,376.67	43,400.00	6,043,397.34	6,000,000.00	6,002,520.00	6,045,920.00
04/27/2020	WF	FFCB	17-0025	5,982,300.00	5,982,300.00	37,216.67	6,036,796.82	6,000,000.00	6,004,860.00	6,042,076.67
05/08/2020	UB	FFCB	17-0027	6,000,360.00	6,000,360.00	36,941.67	6,036,953.82	6,000,000.00	6,008,640.00	6,045,581.67
07/06/2020	UB	FFCB	18-0001	6,738,300.40	6,738,300.40	24,739.72	6,782,839.02	6,760,000.00	6,787,716.00	6,812,455.72
10/26/2020	WF	FFCB	18-0002	9,986,330.00	9,986,330.00	75,347.22	10,072,752.92	10,000,000.00	10,085,800.00	10,161,147.22
11/27/2020	WF	FFCB	18-0009	4,244,071.86	4,247,669.19	27,879.33	4,284,339.72	4,260,000.00	4,306,135.80	4,334,015.13
12/14/2020	WF	FFCB	19-0010	19,980,620.00	19,980,620.00	163,472.22	20,156,658.74	20,000,000.00	20,349,400.00	20,512,872.22
01/05/2021	UB	FFCB	18-0014	3,645,425.00	3,645,425.00	14,142.22	3,700,249.48	3,700,000.00	3,737,666.00	3,751,808.22
01/29/2021	UB	FFCB	18-0015	14,961,600.00	14,963,475.00	58,125.00	15,047,479.78	15,000,000.00	15,244,800.00	15,302,925.00
03/22/2021	WF	FFCB	18-0019	7,990,712.00	7,994,018.67	4,960.00	8,001,935.00	8,000,000.00	8,164,720.00	8,169,680.00
04/05/2021	WF	FFCB	18-0023	15,003,630.00	15,003,630.00	186,266.67	15,187,488.80	15,000,000.00	15,346,350.00	15,532,616.67
08/27/2021	WF	FFCB	19-0009	7,549,258.20	7,608,304.20	19,303.50	7,578,533.72	7,570,000.00	7,816,100.70	7,835,404.20
11/15/2021	ZB	FFCB	19-0005	15,101,550.00	15,134,591.67	172,833.33	15,229,112.90	15,000,000.00	15,629,400.00	15,802,233.33
12/17/2021	WF	FFCB	19-0011	8,993,394.00	8,993,394.00	72,800.00	9,069,032.89	9,000,000.00	9,333,360.00	9,406,160.00
03/28/2022	FTN	FFCB	19-0014	9,980,400.00	9,984,200.00	1,900.00	9,988,833.33	10,000,000.00	10,340,400.00	10,342,300.00
04/25/2022	UB	FFCB	19-0018	5,060,050.00	5,121,161.11	59,583.33	5,100,154.74	5,000,000.00	5,224,100.00	5,283,683.33
09/19/2022	WF	FFCB	20-0010	14,996,550.00	14,996,550.00	8,500.00	15,005,407.02	15,000,000.00	15,401,700.00	15,410,200.00
FEDERAL FARM CREDIT BANK				174,223,270.30	174,392,664.75	1,097,477.55	175,412,073.57	174,290,000.00	177,787,028.50	178,884,506.05
05/04/2020	WF	FHLB	17-0028	5,002,825.00	5,002,825.00	32,258.33	5,032,343.35	5,000,000.00	5,005,700.00	5,037,958.33
05/15/2020	WF	FHLB	17-0035	6,018,300.00	6,022,425.00	37,400.00	6,038,144.84	6,000,000.00	6,009,660.00	6,047,060.00
06/05/2020	WF	FHLB	17-0040	6,001,638.00	6,001,638.00	29,773.33	6,029,870.45	6,000,000.00	6,012,660.00	6,042,433.33
06/12/2020	WF	FHLB	17-0041	12,065,988.00	12,065,988.00	63,583.33	12,067,918.31	12,000,000.00	12,033,120.00	12,096,703.33
06/19/2020	UB	FHLB	17-0043	4,998,950.00	4,999,595.83	21,958.33	5,021,882.44	5,000,000.00	5,013,400.00	5,035,358.33
09/11/2020	WF	FHLB	18-0011	15,357,510.00	15,468,916.25	23,958.33	15,082,116.14	15,000,000.00	15,174,300.00	15,198,258.33
12/11/2020	WF	FHLB	18-0007	19,930,400.00	19,930,400.00	114,583.33	20,098,453.42	20,000,000.00	20,220,200.00	20,334,783.33
02/08/2021	ZB	FHLB	18-0020	7,978,616.00	8,005,004.89	27,972.22	8,021,585.59	8,000,000.00	8,143,440.00	8,171,412.22
06/11/2021	UB	FHLB	18-0026	15,451,050.00	15,707,820.83	166,145.83	15,343,955.77	15,000,000.00	15,590,250.00	15,756,395.83
09/10/2021	ZB	FHLB	19-0006	10,042,800.00	10,119,466.67	17,500.00	10,039,988.14	10,000,000.00	10,379,400.00	10,396,900.00
09/10/2021	UB	FHLB	19-0003	8,020,320.00	8,072,986.67	14,000.00	8,024,540.00	8,000,000.00	8,303,520.00	8,317,520.00
10/12/2021	UB	FHLB	19-0004	10,055,600.00	10,100,600.00	140,833.33	10,170,689.61	10,000,000.00	10,400,900.00	10,541,733.33
10/12/2021	FTN	FHLB	19-0013	10,080,530.00	10,136,363.33	140,833.33	10,184,623.48	10,000,000.00	10,400,900.00	10,541,733.33
02/04/2022	WF	FHLB	19-0016	9,977,780.00	9,982,780.00	35,625.00	10,021,169.13	10,000,000.00	10,342,600.00	10,378,225.00
12/09/2022	FTN	FHLB	20-0006	15,088,800.00	15,090,362.50	87,500.00	15,167,208.96	15,000,000.00	15,526,950.00	15,614,450.00
FEDERAL HOME LOAN BANK				156,071,107.00	156,707,172.97	953,924.69	156,344,489.63	155,000,000.00	158,557,000.00	159,510,924.69
04/01/2020	ST	LAIF	1	53,000,000.00	53,000,000.00	201,988.96	53,201,988.96	53,000,000.00	53,396,493.80	53,598,482.76
LOCAL AGENCY INVESTMENT FUND				53,000,000.00	53,000,000.00	201,988.96	53,201,988.96	53,000,000.00	53,396,493.80	53,598,482.76
04/01/2020	PWB	PIMMA - Pacific Western Bank	34	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
04/01/2020	FSB	PIMMA - Five Star Bank	36	75,000,000.00	75,000,000.00	0.00	75,000,000.00	75,000,000.00	75,000,000.00	75,000,000.00
04/01/2020	PPB	PIMMA - Pacific Premier Bank	33	185,000,000.00	185,000,000.00	0.00	185,000,000.00	185,000,000.00	185,000,000.00	185,000,000.00
*PIMMA				265,000,000.00	265,000,000.00	0.00	265,000,000.00	265,000,000.00	265,000,000.00	265,000,000.00
04/21/2020	WF	SUPRA - IBRD	19-0020	15,753,822.20	15,892,583.67	132,153.78	15,977,065.00	15,850,000.00	15,863,155.50	15,995,309.28
05/12/2020	WF	SUPRA - IADB	19-0019	12,423,302.76	12,504,246.72	78,679.79	12,606,807.36	12,540,000.00	12,559,562.40	12,638,242.19
08/05/2020	WF	SUPRA - IBRD	18-0017	14,967,390.00	14,967,390.00	52,150.00	15,047,644.69	15,000,000.00	15,117,750.00	15,169,900.00
02/08/2021	WF	SUPRA - IBRD	18-0029	11,892,000.00	11,988,000.00	42,400.00	12,007,764.76	12,000,000.00	12,184,800.00	12,227,200.00
01/18/2022	UB	SUPRA - IADB	20-0004	15,175,200.00	15,296,502.08	64,635.42	15,213,159.81	15,000,000.00	15,425,850.00	15,490,485.42
04/19/2022	WF	SUPRA - IBRD	20-0002	7,050,050.00	7,057,438.89	63,000.00	7,104,923.18	7,000,000.00	7,230,650.00	7,293,650.00
SUPRANATIONAL				77,261,764.96	77,706,161.36	433,018.99	77,957,364.80	77,390,000.00	78,381,767.90	78,814,786.89
06/15/2020	WF	T-NOTE	17-0042	8,000,312.50	8,001,951.84	35,409.84	8,035,431.32	8,000,000.00	8,023,120.00	8,058,529.84
07/31/2020	UB	T-NOTE	18-0005	24,834,960.94	24,977,369.23	68,080.36	25,047,429.14	25,000,000.00	25,125,000.00	25,193,080.36
08/31/2020	ZB	T-NOTE	18-0004	14,797,851.56	14,853,117.44	17,934.78	14,987,177.44	15,000,000.00	15,079,650.00	15,097,584.78
09/15/2020	UB	T-NOTE	18-0006	14,794,335.94	14,841,625.30	9,527.85	14,975,622.74	15,000,000.00	15,087,300.00	15,096,827.85
10/31/2020	UB	T-NOTE	18-0008	19,694,531.25	19,726,437.33	115,590.66	20,053,859.33	20,000,000.00	20,143,800.00	20,259,390.66
11/15/2020	UB	T-NOTE	18-0003	11,974,687.50	11,975,267.61	79,615.38	12,074,344.84	12,000,000.00	12,126,600.00	12,206,215.38
03/15/2021	UB	T-NOTE	18-0022	14,988,281.25	15,007,642.66	16,457.20	15,012,667.09	15,000,000.00	15,328,200.00	15,344,657.20
05/15/2021	ZB	T-NOTE	18-0027	10,164,843.75	10,178,430.71	118,475.27	10,180,902.19	10,000,000.00	10,335,200.00	10,453,675.27
07/15/2021	WF	T-NOTE	19-0001	9,949,218.75	10,041,236.41	55,528.85	10,030,847.16	10,000,000.00	10,318,800.00	10,374,328.85

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
TREASURY POOL DETAIL REPORT - 3/31/2020 PORTFOLIO
AS OF: 4/1/2020 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instrument	Invest Number	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val(incls Acc. Int)
07/15/2021	WF	T-NOTE	19-0007	9,963,281.25	10,070,278.53	55,528.85	10,037,285.92	10,000,000.00	10,318,800.00	10,374,328.85
08/15/2021	ZB	T-NOTE	19-0002	9,979,296.88	10,052,530.58	34,752.75	10,024,359.69	10,000,000.00	10,353,900.00	10,388,652.75
12/15/2021	UB	T-NOTE	19-0012	14,971,875.00	14,974,038.46	116,188.52	15,100,172.19	15,000,000.00	15,616,350.00	15,732,538.52
05/15/2022	ZB	T-NOTE	20-0003	12,172,031.25	12,184,641.14	96,675.82	12,245,615.63	12,000,000.00	12,481,440.00	12,578,115.82
06/15/2022	WF	T-NOTE	20-0007	15,041,015.63	15,169,396.78	77,459.01	15,113,465.10	15,000,000.00	15,507,450.00	15,584,909.01
07/15/2022	ZB	T-NOTE	20-0005	15,033,984.38	15,140,268.35	55,528.85	15,085,493.96	15,000,000.00	15,513,900.00	15,569,428.85
08/15/2022	WF	T-NOTE	20-0008	14,932,437.90	15,005,196.05	28,434.07	14,968,547.91	15,000,000.00	15,449,400.00	15,477,834.07
10/15/2022	UB	T-NOTE	20-0009	19,829,687.50	19,874,018.10	126,980.88	19,974,734.32	20,000,000.00	20,564,000.00	20,690,980.88
11/30/2022	UB	T-NOTE	20-0001	12,138,750.00	12,243,668.03	80,655.74	12,201,302.52	12,000,000.00	12,547,920.00	12,628,575.74
TREASURY NOTE				253,261,383.23	254,317,114.55	1,188,824.68	255,149,258.49	254,000,000.00	259,920,830.00	261,109,654.68
TOTALS				1,048,781,575.21	1,051,087,163.35	3,875,234.87	1,053,029,225.17	1,048,644,049.72	1,062,993,239.88	1,066,868,474.75
QUARTERLY SUMMARY TOTALS				1,048,781,575.21					1,062,993,239.88	

*PIMMA is an acronym for Public Investment Money Market Account. This is an interest-bearing deposit account secured by collateral per CGC section 53651 et seq.

Broker/Bank/Issuer Codes - The name of the broker or bank from which the instrument was purchased or issued.

Code	Broker/Bank/Issuer	Code	Broker/Bank/Issuer
CT	CalTrust	PWB	Pacific Western Bank
FTN	FTN Financial | Capital Markets	ST	State of California Treasurer
FSB	Five Star Bank	UB	MUFG Union Bank, N.A.
IBRD	International Bank of Reconstruction and Development (World Bank)	WF	Wells Fargo Institutional Sec., LLC
IADB	Inter-American Development Bank	ZB	Zions First National Bank
PPB	Pacific Premier Bank		

Instrument - Type of investment purchased from a broker.

Code	Instrument	Code	Instrument
CT-STF	CalTrust Short-Term Fund	PIMMA	Public Investment Money Market Account
FFCB	Federal Farm Credit Bank	T-NOTE	Treasury Note
FHLB	Federal Home Loan Bank	SUPRA	Supranational
LAIF	Local Agency Investment Fund		

Principal Cost - The amount invested in an instrument excluding any purchased accrued interest.

Purchase Price - The amount paid for an instrument which includes the principal cost and any purchased accrued interest.

Carrying Value - The principal cost of an instrument amortized through quarter end including any accrued interest.

Par - The full value of an instrument.

Market Value - Current market value price of an investment priced as of the last day of the quarter.

Market Value (incl. acc. int.) - Current market value price of an investment plus any accrued interest.

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
SEPARATELY MANAGED FUNDS DETAIL REPORT
AS OF: 3/31/2020

		Principal Cost	Market Value
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Service Account	0.00	0.00
	Principal Account	0.00	0.00
	Interest Account	3.00	3.00
	Series A, B, C Bond Fund	6,148.98	6,148.98
Money held in conjunction with:	SLO 03 Series A,B,C		
	Pension Trust Obligation Bond		
		6,151.98	6,151.98
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	975.16	975.16
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Reserve Fund	0.00	0.00
	Debt Service Fund	437.60	437.60
Money held in conjunction with:	SLO County Revenue Bonds		
	2011 Series A-Lopez Dam Imp Refunding		
		1,412.76	1,412.76
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	79,259.78	79,259.78
	Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO County COP 07 Series A		
	(Paso Robles Courthouse Project)		
		79,259.78	79,259.78
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	0.00	0.00
	Reserve Fund	0.00	0.00
	Prepayment Fund	5,459,647.24	5,459,647.24
Money held in conjunction with:	SLO County COP 08 Series A		
	(Vineyard Drive Interchange Improvements)		
		5,459,647.24	5,459,647.24
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	444.96	444.96
	Interest Account	40,939.91	40,939.91
	Principal Account	0.00	0.00
	Reserve Fund	1,814,246.79	1,814,246.79
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Refunding Bonds 2012 Ser A		
		1,855,631.66	1,855,631.66
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	07 Series A & B Revenue Fund	244,153.10	244,153.10
	07 Series A & B Interest Account	15,738.47	15,738.47
	07 Series A & B Principal Account	0.00	0.00
	07 Series A & B Redemption Fund	0.00	0.00
	07 Series A Reserve Fund	9,174,655.23	9,401,193.90
	07 Series A Project Fund	0.01	0.01
	07 Series A Rebate Fund	147,877.69	147,877.69
	07 Series B Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO Cnty Rev Bond Ser A & B		
	(Nacimiento Water Project)		
		9,582,424.50	9,808,963.17
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	0.00	0.00
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	19,000,000.00	19,000,000.00
	Cost of Issuance Fund	1,870.66	1,870.66
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Bonds 2020 Ser A		
		19,001,870.66	19,001,870.66
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	754.20	754.20
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Cost of Issuance Fund	1,184.60	1,184.60
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Refunding Bonds 2020 Ser B		
		1,938.80	1,938.80
		35,988,337.38	36,214,876.05

NOTE: This report has been produced from information provided by the Trustees identified above.