PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 11, 2026

NEW ISSUE—FULL BOOK-ENTRY | **RATING: Moody's: "Aa2"**
(See "MISCELLANEOUS – Rating" herein)

In the opinion of Stradling Yocca Carlson & Rauth LLP, 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, including with respect to the alternative minimum tax imposed on certain large corporations.

$38,000,000*
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2024 General Obligation Bonds, Series A

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

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

The Lucia Mar Unified School District (San Luis Obispo County, California) Election of 2024 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of the registered voters of the Lucia Mar Unified School District (the "District") held on November 5, 2024, at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $143,220,000 principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to 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 annually levy *ad valorem* property taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of the 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 of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests 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, 2026. Principal of the Bonds is payable on August 1 in each of the years and amounts shown on the inside cover page hereof. 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 Trust Company, National Association, as the designated paying agent, bond registrar and transfer 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.

Certain of the Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

Maturity Schedule*
(See inside front cover)

*The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth LLP, San Francisco, California, as Disclosure Counsel, and 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 March 4, 2026.**

STIFEL

The date of this Official Statement is _______ __, 2026.

* Preliminary, subject to change.

MATURITY SCHEDULE

$38,000,000*
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2024 General Obligation Bonds, Series A

Base CUSIP(1): 54947T

$__________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(1) Suffix

$_______ – _____% Term Bonds due August 1, 20__; Yield: _____%; CUSIP(1) Suffix: ___

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* Preliminary, subject to change.

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 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.

LUCIA MAR UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Don Stewart, *President, Trustee Area 1*
Colleen Martin, *Vice President, Trustee Area 5*
Donna Kandel, *Clerk, Trustee Area 7*
Dee Santos, *Member, Trustee Area 2*
Andrea Naemi-Vergne, *Member, Trustee Area 3*
Mike Fuller, *Member, Trustee Area 4*
Eilene Pham, *Member, Trustee Area 6*

DISTRICT ADMINISTRATION

Dr. Paul Fawcett, *Superintendent*
Curt Eichperger, Ed.D., *Assistant Superintendent, Business Services*
Andy Stenson, *Executive Director of Facilities*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth LLP
San Francisco, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent, Registrar and Transfer Agent

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

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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 those contained in this Official Statement, and if given or made, such other information or representation must 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, for the issuance and sale of such municipal securities. 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.

Certain information set forth herein has been obtained from sources outside of the District which are believed to be reliable, but such information 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."

The District maintains a website and certain social media accounts. However, the information presented thereon 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.

$38,000,000*
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2024 General Obligation Bonds, Series A

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 2024 General Obligation Bonds, Series A (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.

The District

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, one independent study academy and one adult education program, and serves a population of approximately 79,641 residents. For fiscal year 2025-26, the District has projected a total average daily attendance ("ADA") and enrollment of approximately 8,969 and 9,593 students, respectively. Taxable property within the District has a fiscal year 2025-26 assessed valuation of $21,115,979,103.

The District is governed by a seven-member Board of Education (the "Board"). Board members serve four-year terms and are elected by voters within seven trustee areas. 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. Dr. Paul Fawcett is currently the Superintendent of the District.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "LUCIA MAR UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for more information regarding the District generally. The District's audited financial statements for fiscal year ending June 30, 2025 are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

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

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* Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to a resolution adopted by the Board on February 10, 2026 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. 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. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. 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 described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

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 "INTRODUCTION – Tax Matters" and "TAX MATTERS" herein and in APPENDIX A hereto) 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.* Certain of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity 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 of each year, commencing August 1, 2026 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

* Preliminary, subject to change.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth LLP, 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 (the "State") personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations.

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 March 4, 2026.*

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 taxable property in 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 taxation of property within the District, and certain other matters, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Certificate relating to the Bonds, the District will covenant for the benefit of the registered 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 Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter") in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of listed events is summarized under "LEGAL MATTERS – Continuing Disclosure" herein and APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" 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," "intend," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

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* Preliminary, subject to change.

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth LLP, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth LLP and Fieldman Rolapp & Associates, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. U.S. Bank Trust Company, National Association, Los Angeles, California, is acting as Paying Agent with respect to the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds or the District.

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.

Certain of 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 by the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, commencing with Section 53506 *et seq.*, as amended, Article XIIIA of the State Constitution ("Article XIIIA"), other applicable law, and pursuant to the Resolution.

The District received authorization at an election held on November 5, 2024 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $143,220,000 aggregate principal amount of general obligation bonds (the "2024 Authorization"). The Bonds represent the first issuance of bonds under the 2024 Authorization, and following the issuance thereof, $105,220,000* of the 2024 Authorization will remain authorized and unissued.

Security and Sources of Payment

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

Such *ad valorem* property 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. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein) established by the Resolution, which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds, and interest thereon when due, 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 although the County will maintain the Debt Service Fund and the Building Fund (as defined herein), 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 by the County 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 respective Beneficial Owners of such Bonds.

The rate of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above 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

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* Preliminary, subject to change.

tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land 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), the outbreak of disease, or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, wildfire, sea level rise, drought 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 rates. 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" 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 such 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 XIIIA. 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. Beneficial Owners will not receive physical certificates representing their interests 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, 2026. Interest on the Bonds will be computed on the basis of a 360-day year of 12, 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, 2026, 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. Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover page hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as the of the close of business on the 15th day of the month next preceding any Bond Payment Date (the "Record Date"). Such interest is to be paid by wire transfer on such Bond Payment Date to such registered Owner to the bank and account number on file with the Paying Agent as of the Record Date. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity or earlier redemption, 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. See "THE BONDS – Book-Entry Only System" herein.

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Annual Debt Service

The following table summarizes the annual debt service requirements for the Bonds, assuming no optional redemptions are made:

Year Ending August 1	Annual Principal Payment	Annual Interest Payment[(1)]	Total Annual Debt Service
Total			

[(1)] Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2026.

See "LUCIA MAR UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a full debt service schedule of all outstanding general obligation bonded debt of the District.

Application and Investment of Bond Proceeds

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

Building Fund. The proceeds from the sale of the Bonds, net of costs of issuance and any premium on the sale thereof, will be deposited into the building fund for the Bonds created by the Resolution and held by the County (the "Building Fund"), and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained in such fund. 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 principal of and interest on the Bonds. The County will have no responsibility for assuring the proper use of the proceeds of the Bonds.

Debt Service Fund. The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be held separate and apart by the County in the debt service fund for the Bonds created by the Resolution (the "Debt Service Fund"), and used only for payment of principal of and interest on the Bonds. Any premium or accrued interest received from the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the Debt Service Fund of any outstanding general obligation bonds of the District, and if there are none, to the general fund of the District as provided and permitted by law.

Investment of Funds. 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 State laws 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, 2036 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2037 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, 2036, 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.

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* Preliminary, subject to change.

Mandatory Sinking Fund Redemption. * The Bonds maturing on August 1, 20__ (the "20__ Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20___, 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 20__ 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

(1) Maturity.

In the event that a portion of the 20__ Term Bonds 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 20__ 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 Bonds for redemption as so directed and if not 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 with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in a principal amount of $5,000, or any integral multiple thereof.

Notice of Redemption. When optional redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Such 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 portion of 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

* Preliminary, subject to change.

(ii) overnight delivery service, to one of the Information Services; and (d) provide the Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") 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, in the absence of such a written designation, as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 140 58th Street, Brooklyn, 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 check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number, if any, identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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 tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. 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.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance" herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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 will 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, will be held by the Paying Agent (or an independent escrow agent selected by the District) in trust as described in "-Defeasance" herein so as to be available therefor on such redemption date, and if a Redemption Notice thereof will 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 by or on behalf of the Paying Agent (or an independent escrow agent selected by the District) for the redemption of the Bonds shall be held in trust for the account of the Owners of the Bonds to be so redeemed.

Conditional Notice of Redemption. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in "-Defeasance" herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by the Paying Agent (or 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, 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 Redemption Notice will 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 notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust 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 will be surrendered to the Paying Agent for cancellation.

All Bonds paid at maturity or redeemed prior to maturity as described above will be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District will be cancelled by the Paying Agent.

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 the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to 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 so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The 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 an S&P (as defined herein) rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated by reference herein.

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 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 purchases. 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 the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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 system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof 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 wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered 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 registration books of the Paying Agent only upon presentation and surrender of such 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 such exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal 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 at any time 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 all such designated outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an 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, 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 (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) 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 S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") or by 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
[Net] Original Issue Premium
Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Underwriter's Discount
Costs of Issuance[(1)]
Total Uses

(1) Reflects the costs of issuance of the Bonds, including, but not limited to, the demographics fees, printing costs, rating agency fees, legal and municipal advisory fees, and the costs and fees of the Paying Agent.

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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, as further described below. 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 rolls as county, city and special district property taxes. Assessed valuations are the same for both the District and the County's 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. Unsecured 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. 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 its 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, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the applicable treasurer-tax collector. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a minimum cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a minimum $15 redemption fee, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the treasurer-tax collector of the relevant county.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Secured Tax Levies 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. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

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, including school districts, will 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 County Assessor, except for public utility property, which is assessed by the State Board of Equalization (the "SBE"). Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA. 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. No reimbursement is made by the State for such exemptions.

The following table shows a 10-year history of assessed valuations in the District, as of the date the equalized assessment roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2016-17 through 2025-26
Lucia Mar Unified School District

	Local Secured	Utility	Unsecured	Total	% Change
2016-17	$13,181,700,535	$745,491	$200,023,436	$13,382,469,462	--
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
2020-21	16,374,156,465	735,906	243,813,970	16,618,706,341	5.53
2021-22	16,949,309,573	731,048	226,193,857	17,176,234,478	3.35
2022-23	18,073,597,712	983,550	247,084,549	18,321,665,811	6.67
2023-24	19,014,898,127	976,764	271,064,774	19,286,939,665	5.27
2024-25	19,878,423,899	958,826	297,255,543	20,176,638,268	4.61
2025-26	20,640,598,831	999,825	474,380,447	21,115,979,103	4.66

Source: California Municipal Statistics, Inc., except with respect to percent change figures.

Economic and other factors beyond the District's control, such as a general market decline in real property values, the outbreak of disease, 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, drought, flood, wildfire, sea level rise, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Adverse Impacts of Tariffs. The current Presidential administration has sought to alter the international trading landscape through the use of widespread tariffs. To the extent tariffs are implemented, certain impacted countries that have been impacted by the tariffs may respond with reciprocal tariffs on imports of U.S.-made goods. The international escalation of tariffs may cause significant disruptions in local, State and national economies, including immediate material impacts to industries heavily integrated into international trade. No assurances can be made that the escalation of tariffs will not materially adversely impact the local, State or national economies or the assessed valuation of property within the District, including the assessed valuation of the top taxpayers in the District, or the ability of taxpayers within the District to pay property taxes.

Seismic Events. Certain coastal areas of the District are located within hazard areas identified by the Tsunami Hazard Area Map ("THAP") for the County. THAPs are produced jointly by the California Geological Survey and the Governor's Office of Emergency Services to assist cities and counties identify potential areas of inundation and other damage related to a tsunami event. The District is also located in a seismically active region of the State. Portions of the Oceano Fault, Santa Maria River Fault and West Huasna Fault run along the western part of the District, while portions of the Panza Fault and South Cuyama Fault run along the eastern part of the District. An earthquake or tsunami of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought. California has experienced cyclical severe drought conditions over the past several years. According to the U.S. Drought Monitor, as of February 2, 2026, the County is not classified as being in dry or drought conditions. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future. The District can also make no representations regarding to the extent to which significant snowfall and precipitation, or any future winter storm activity or related rainfall, mudslides or flooding conditions, may impact District facilities or the assessed value of taxable property within the District.

Coastal Storms, Coastal Erosion, and Sea Level Rise. The County's most recent Multi-Jurisdiction Hazard Mitigation Plan (2025) (the "Mitigation Plan") reported that the entire coastline of the County, including certain areas of the District, and existing development and natural resources are potentially exposed to a range of coastal hazards, including coastal storms and coastal erosion. Such hazards are projected to become more severe when combined with sea level rise. Coastal storms would primarily affect low-lying coastal areas and infrastructure located thereon, and could result in coastal flooding or wave runup. Coastal erosion can result from storms, sea level rise, strong wave action, and human activities, and can result in permanent and significant alterations of coastal geology that can expose development and resources to additional coastal threats. The Mitigation Plan breaks down the exposure of such hazards by the improved property values of at-risk structures, some of which may lie within the boundaries of the District. Additional information can be found at https://www.slocounty.ca.gov/departments/administrative-office/office-of-emergency-services/forms-documents, however the information presented on such website is not incorporated herein by any reference. The District is unable to predict whether such hazards, or associated impacts thereof, will occur, and if any such events occur, whether they will have a material adverse effect on the assessed valuation of property within the District, the financial condition of the District or more generally the region's economy.

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

Portions of the District are located within areas which the State Department of Forestry and Fire Protection has designated as moderate, high, or very high fire hazard severity zones. Mapping of the areas, referred to as Fire Hazard Severity Zones (FHSZ), is based on data and models of potential fuels over a 30-50 year time horizon and their associated expected fire behavior, and expected burn probabilities to quantify the likelihood and nature of vegetation fire exposure (including firebrands) to new construction. More information regarding Fire Hazard Severity Zones, including the most recent Fire Hazard Severity Zone Maps, can be found at the California Department of Forestry and Fire Protection website at https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones, though such website is not incorporated herein by reference.

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

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 SBE, with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. 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. Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the applicable 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. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIIIA of the California Constitution" herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the applicable county assessor, 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 restructured the functions of the SBE and created 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 took 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 continues to perform the duties assigned by the State Constitution related to property taxes, however, effective 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 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. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

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Assessed Valuations and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2025-26.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2025-26
Lucia Mar Unified School District

Non-Residential:	2025-26 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural	$476,902,047	2.31%	1,289	3.46%
Commercial	1,179,324,980	5.71	1,450	3.89
Vacant Commercial	8,390,749	0.04	18	0.05
Hotel/Motel	376,406,603	1.82	65	0.17
Industrial	293,579,726	1.42	299	0.80
Vacant Industrial	45,240,917	0.22	73	0.20
Recreational	42,316,753	0.21	456	1.22
Government/Social/Institutional	77,141,116	0.37	864	2.32
Miscellaneous	33,397,204	0.16	475	1.27
Subtotal Non-Residential	$2,532,700,095	12.27%	4,989	13.39%
Residential:				
Single Family Residence	$14,447,254,825	69.99%	21,692	58.21%
Condominium/Townhouse/PUD	1,475,535,486	7.15	3,303	8.86
Mobile Home	521,946,463	2.53	3,492	9.37
Mobile Home Park	191,025,759	0.93	37	0.10
2-4 Residential Units	462,965,962	2.24	847	2.27
5+ Residential Units/Apartments	250,681,876	1.21	187	0.50
Timeshare	8,382,084	0.04	875	2.35
Vacant Residential	750,106,281	3.63	1,842	4.94
Subtotal Residential	$18,107,898,736	87.73%	32,275	86.61%
Total	$20,640,598,831	100.00%	37,264	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 distribution of taxable property in the District by jurisdiction, as measured by its fiscal year 2025-26 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2025-26
Lucia Mar Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Arroyo Grande	$4,286,433,159	20.30%	$4,286,433,159	100.00%
City of Grover Beach	2,456,475,342	11.63	2,456,475,342	100.00
City of Pismo Beach	3,935,104,612	18.64	4,853,091,215	81.08
Unincorporated San Luis Obispo County	10,437,965,990	49.43	36,374,339,125	28.70
Total District	$21,115,979,103	100.00%		
San Luis Obispo County	$21,115,979,103	100.00%	$78,303,673,968	26.97%

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2025-26 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2025-26
Lucia Mar Unified School District

	No. of Parcels	2025-26 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	21,692	$14,447,254,825	$666,018	$602,206

2025-26 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	812	3.743%	3.743%	$50,315,209	0.348%	0.348%
100,000 - 199,999	1,284	5.919	9.663	201,030,689	1.391	1.740
200,000 - 299,999	2,099	9.676	19.339	528,933,741	3.661	5.401
300,000 - 399,999	2,067	9.529	28.868	724,124,454	5.012	10.413
400,000 - 499,999	2,232	10.290	39.157	1,006,919,388	6.970	17.383
500,000 - 599,999	2,296	10.585	49.742	1,261,736,271	8.733	26.116
600,000 - 699,999	2,335	10.764	60.506	1,516,354,767	10.496	36.612
700,000 - 799,999	2,078	9.580	70.086	1,553,977,848	10.756	47.368
800,000 - 899,999	1,542	7.109	77.194	1,307,687,977	9.051	56.420
900,000 - 999,999	1,296	5.975	83.169	1,227,028,708	8.493	64.913
1,000,000 - 1,099,999	968	4.462	87.631	1,015,154,597	7.027	71.939
1,100,000 - 1,199,999	644	2.969	90.600	738,214,850	5.110	77.049
1,200,000 - 1,299,999	483	2.227	92.827	603,116,026	4.175	81.224
1,300,000 - 1,399,999	387	1.784	94.611	521,198,471	3.608	84.831
1,400,000 - 1,499,999	268	1.235	95.846	387,505,659	2.682	87.514
1,500,000 - 1,599,999	202	0.931	96.778	312,351,832	2.162	89.676
1,600,000 - 1,699,999	141	0.650	97.428	232,415,237	1.609	91.284
1,700,000 - 1,799,999	103	0.475	97.902	179,774,174	1.244	92.529
1,800,000 - 1,899,999	89	0.410	98.313	164,152,973	1.136	93.665
1,900,000 - 1,999,999	76	0.350	98.663	147,948,999	1.024	94.689
2,000,000 and greater	290	1.337	100.000	767,312,955	5.311	100.000
	21,692	100.000%		$14,447,254,825	100.000%	

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

Secured Tax Levies and Delinquencies

Property taxes on the secured roll are due in two installments, on November 1 and February 1, 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 the County. See "— *Ad Valorem* Property Taxation" herein.

Pursuant to Revenue and Taxation Code Section 4985.2, a county 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.

The following tables show secured *ad valorem* property tax levies and delinquencies within the District, and amounts delinquent as of June 30, for fiscal years 2015-16 through 2024-25. For the 1% general purpose property tax apportionment, the delinquency rates shown represents countywide delinquencies.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2015-16 through 2024-25
Lucia Mar Unified School District

	Secured Tax Charge(1)	Amt. Del. June 30(1)	% Del. June 30(1)
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
2019-20	59,759,392.66	981,199.15	1.64
2020-21	63,024,745.58	726,409.84	1.15
2021-22	65,183,314.92	586,511.01	0.90
2022-23	69,853,942.40	718,917.01	1.03
2023-24	73,417,577.70	946,372.40	1.29
2024-25	76,782,433.07	1,002,002.04	1.30

	Secured Tax Charge(2)	Amt. Del. June 30(2)	% Del. June 30(2)
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
2019-20	11,182,914.47	137,586.06	1.23
2020-21	9,375,802.55	121,134.80	1.29
2021-22	9,911,789.65	85,368.98	0.86
2022-23	7,115,448.75	82,025.62	1.15
2023-24	6,643,656.14	90,686.36	1.37
2024-25	5,572,618.16	81,923.74	1.47

(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"

The County Board has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (also known as the "Teeter Plan"), as provided for in Revenue and Taxation Code Section 4701 *et seq*. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collection agency. The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan is also 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 secured *ad valorem* property tax to be levied by the County to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the secured *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. Additionally, the County Board 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 the agency exceed 3%. In the event the County Board is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

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. 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 following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA from fiscal years 2021-22 through 2025-26.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 1-000)[(1)]
Fiscal Years 2021-22 through 2025-26
Lucia Mar Unified School District

	2021-22	2022-23	2023-24	2024-25	2025-26
County General Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
State Water Project	.004000	.004000	.003630	.003650	.003210
Lucia Mar Unified School District	.058780	.039500	.035000	.028000	.046000
San Luis Obispo Community College District	.019250	.019250	.019250	.017500	.015000
San Luis Obispo County Flood Zone 3	.006000	.006000	.006000	.006000	.004000
Total Tax Rate	1.088030%	1.068750%	1.063880%	1.055150%	1.068210%

(1) The fiscal year 2025-26 assessed valuation of TRA 1-000 is $2,918,820,249. TRA 1-000's assessed valuation constitutes 13.82% of the District's total fiscal year 2025-26 assessed valuation.
Source: California Municipal Statistics, Inc.

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2025-26 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.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2025-26
Lucia Mar Unified School District

	Property Owner	Primary Land Use	2025-26 Assessed Valuation	% of Total[1]
1.	Pismo Beach Mobile Home Park	Mobile Home Park	$130,611,243	0.63%
2.	Vespera Pismo Beach Holdings LLC	Hotel/Motel	84,517,546	0.41
3.	Sphear Investments LLC	Shopping Center	70,116,014	0.34
4.	Core Pismo LLC	Hotel/Motel	47,772,809	0.23
5.	Phillips 66 Company	Oil & Gas Production	46,176,763	0.22
6.	Teixeira Brothers Land LP	Agricultural	41,857,624	0.20
7.	Heber D. Perrett, Trust	Agricultural	38,433,591	0.19
8.	Prime Outlets at Pismo Beach LLC	Commercial	33,219,865	0.16
9.	Bolsa Chica Mobile Estates Inc.	Mobile Home Park	31,052,798	0.15
10.	WM Pismo Beach Holdings LLC	Mobile Home Park	30,408,065	0.15
11.	CCC PLS Owner LLC	Hotel/Motel	30,298,168	0.15
12.	Studio Inn & Suites LLC	Hotel/Motel	28,530,200	0.14
13.	SCM Pismo Beach Hotel LLC	Hotel/Motel	27,066,582	0.13
14.	Safeway Realty LLC	Supermarket	23,975,547	0.12
15.	FE Nipomo LLC	Commercial	20,599,920	0.10
16.	Pismo Coast Village Inc.	Undeveloped	18,566,610	0.09
17.	Nipomo Oaks Senior Living	Assisted Living	18,174,226	0.09
18.	Manfred G. Freutel	Apartments	17,687,208	0.09
19.	Grand & Elm Properties LP	Shopping Center	17,537,981	0.08
20.	Corbett Vineyards LLC	Vineyards	17,251,019	0.08
			$773,853,779	3.75%

[1] The fiscal year 2025-26 local secured assessed valuation of the District is $20,640,598,831.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report relating to the District (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of January 1, 2026 for debt issued as of November 26, 2025. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Lucia Mar Unified School District

2025-26 Assessed Valuation: $21,115,979,103

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 1/1/26**
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	88.835%	$3,286,895
San Luis Obispo Community College District	26.858	50,356,064
Lucia Mar Unified School District	**100.000**	**143,819,802**(1)
City of Grover Beach	100.000	31,800,000
Nipomo Community Service District Community Facilities District No. 2020-1	100.000	10,400,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$239,662,761
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Luis Obispo County Certificates of Participation	26.967%	$19,971,900
San Luis Obispo County Pension Obligation Bonds	26.967	4,244,050
Lucia Mar Unified School District Certificates of Participation	**100.000**	**12,960,000**
City of Arroyo Grande General Fund Obligations	100.000	1,911,430
City of Grover Beach General Fund Obligations	100.000	508,270
City of Pismo Beach General Fund Obligations	81.084	38,993,605
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$78,589,255
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$5,780,000
COMBINED TOTAL DEBT		$324,032,016(2)

Ratios to 2025-26 Assessed Valuation:
- **Direct Debt ($143,819,802) 0.68%**
- Total Direct and Overlapping Tax and Assessment Debt 1.13%
- **Combined Direct Debt ($156,779,802)..................0.74%**
- Combined Total Debt..................1.53%

Ratio to Redevelopment Incremental Valuation ($969,505,217):
- Total Overlapping Tax Increment Debt 0.60%

(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 principal of and interest on the Bonds are payable from the proceeds of an ad valorem *property tax levied by the County on taxable property within the District 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 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 on behalf of the District to levy* ad valorem *property 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 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 rates 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" 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 or more of all members of the State Legislature (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

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 relevant 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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to claims, if any, on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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 19

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

Proposition 50 and Proposition 171

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

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

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

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

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

Unitary Property

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

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

Article 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 California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the 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 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA. 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 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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, instead of being returned to taxpayers, is 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 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 Limitation 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 was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article 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 ("Test 1") 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 ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also known as a "maintenance factor") 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 percent of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district, such as the District), $30 (for an elementary school district or high school district), or $25 (for a community college district) per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA. 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. See "-Article XIIIA of the California Constitution" herein.

Jarvis vs. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as 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 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 projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

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

Proposition 2 (2014)

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

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

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

Proposition 2 (2014) 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 Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

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

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2 (2014). SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

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 ADA.

The Bonds are payable solely 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 2 (2024)

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

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

Community College Facilities. Proposition 2 (2024) includes $1.5 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. The table on the following page shows the expected use of bond funds under Proposition 2 (2024).

PROPOSITION 2 (2024)
Use of Bond Funds
(In Millions)

K-12 Public School Facilities	
New construction	$3,300
Modernization	4,000
Career technical education facilities	600
Charter school facilities	600
Subtotal	$8,500
Community College Facilities	$1,500
Total	$10,000

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 22, 26, 30, 39, 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 and State funding of public education 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 are 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 which is 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. Since fiscal year 2013-14, school districts have been funded based on a uniform system of funding grants assigned to certain grade spans. See "—Local Control Funding Formula" herein.

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. Full implementation of the LCFF occurred over a period of eight fiscal years, concluding with the adoption of the State budget for fiscal year 2018-19. During the implementation period, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span, as of the first year of the LCFF's implementation, were as follows: (i) $6,845 for grade 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 "– State Budget Measures" herein for information on the adjusted Base Grants provided by current State 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.

The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13. The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include Transitional Kindergarten (TK) to all four-year olds. This plan is expected to phase in cohorts of TK students over a four-year period, concluding in fiscal year 2025-26. As a result, school districts that serve TK students will be eligible to receive an add-on equal to $2,813, multiplied by such district's second principal reporting period ADA for TK students for the current fiscal year. Beginning in fiscal year 2023-24, this add-on is subject to COLA adjustments to the same degree as LCFF Base Grants. For fiscal year 2025-26, the District has an ADA of 349 TK students.

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

The 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 2016-17 through 2024-25, and projected amounts for fiscal year 2025-26.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2016-17 through 2025-26
Lucia Mar Unified School District

	Average Daily Attendance[(1)]						
Fiscal Year	**TK-3**	**4-6**	**7-8**	**9-12**	**Total District ADA**	**Total District Enrollment[(2)]**	**% of EL/LI Enrollment[(3)]**
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
2020-21	2,676	2,087	1,558	3,269	9,590	9,921	62.70
2021-22	2,486	1,995	1,371	3,149	8,999	9,793	58.40
2022-23	2,490	1,934	1,376	3,097	8,897	9,595	60.30
2023-24	2,577	1,977	1,427	3,113	9,093	9,626	61.42
2024-25	2,650	1,943	1,379	3,084	9,056	9,595	60.51
2025-26[(4)]	2,673	1,916	1,365	3,015	8,969	9,593	61.40

(1) Except for fiscal year 2025-26, 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. 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 used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education.
(3) For purposes of calculating Supplemental and Concentration Grants, 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 then-current fiscal year and the two immediately preceding fiscal years.
(4) Projected.
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 discontinuation of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on was paid incrementally over the implementation period of the LCFF. The District did not qualify for the ERT add-on.

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

Recent deportation efforts initiated by the current Presidential administration may pose a potential risk to school districts relying on revenue from the LCFF. LCFF districts rely heavily on student attendance and enrollment numbers, and for certain districts, Supplemental and Concentration Grant add-ons for serving a high percentage of EL and LI students, to secure funding. If undocumented students or students who have undocumented parents or caretakers cease attending school or face deportation, districts may experience a decrease in funding. The District cannot predict the potential changes to enrollment or attendance in response to the deportation efforts initiated by the current Presidential administration.

Community Funded Districts. Certain school districts, known as "community funded" districts (or previously 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 certain other non-LCFF State funding which is deemed to satisfy the "basic aid" requirement 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, and does not expect to in future fiscal years.

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 are required to be updated annually. 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 in meeting 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 with identifying and implementing 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 with achieving 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. However, no representation can be made that the District will continue to receive or be eligible for federal funding of education programs, including as a result of current efforts and proposals to reduce the size of the federal workforce, eliminate government programs, eliminate or merge governmental agencies and withhold Congressionally appropriated funds. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from parcel taxes, leases and rentals, interest earnings, interagency services, developer fees (as discussed below), redevelopment revenues, foundation revenues, 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 and can be used only to construct or modernize facilities. 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.

The following table summarizes revenues received by the District from Developer Fees for fiscal years 2017-18 through 2024-25 and a projected amount for fiscal year 2025-26.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2017-18 through 2025-26
Lucia Mar Unified School District

Fiscal Year	Total Collections
2017-18	2,143,999
2018-19	1,785,945
2019-20	1,611,585
2020-21	1,902,432
2021-22	1,554,963
2022-23	1,130,785
2023-24	1,443,524
2024-25	1,426,859
2025-26[1]	1,567,152

[1] Projected.
Source: Lucia Mar Unified School District.

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 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 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 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 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 subsequent two fiscal years.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction, and the president of the State board or the president's designee will appoint a trustee at the direction of the county superintendent to serve the school district until it has adequate fiscal systems and controls in place. In connection with appointing such a trustee, some or all of the legislative powers of the governing board of such a school district can be suspended until the district achieves fiscal stability.

Within the past five years, the District submitted and the County superintendent of schools accepted, "positive" certifications on each of its interim financial reports.

Budgeting Trends. The table on the following page shows the District's general fund adopted budgets for fiscal years 2021-22 through 2025-26, general fund ending results for fiscal years 2021-22 through 2024-25, and general fund projected results for fiscal year 2025-26.

GENERAL FUND BUDGETING[1]
Fiscal Years 2021-22 through 2025-26
Lucia Mar Unified School District

	Fiscal Year 2021-22		Fiscal Year 2022-23		Fiscal Year 2023-24		Fiscal Year 2024-25		Fiscal Year 2025-26	
	Budgeted[2]	Ending[2]	Budgeted[2]	Ending[2]	Budgeted[2]	Ending[2]	Budgeted[2]	Ending[2]	Budgeted[3]	Projected[4]
REVENUES										
Local Control Funding Formula	$106,263,488	$106,009,276	$107,081,923	$120,822,082	$125,705,699	$127,039,479	$125,911,068	$126,279,297	$127,971,926	$129,038,348
Federal sources	3,932,758	13,370,303	10,187,403	9,390,473	4,217,473	7,441,397	4,872,743	5,369,413	5,155,185	6,315,159
Other State sources	12,323,022	18,859,256	16,065,338	37,821,114	18,467,618	21,027,680	17,369,320	22,677,924	19,050,155	26,539,681
Other local sources	3,865,236	4,211,777	5,250,328	7,659,747	7,233,358	12,284,530	7,092,138	12,168,893	7,622,955	8,457,093
Total Revenues	126,384,504	142,450,612	138,584,992	175,693,416	155,624,148	167,793,086	155,245,269	166,495,527	159,800,221	170,350,282
EXPENDITURES										
Current										
Certificated salaries	54,502,408	56,777,497	56,723,560	62,191,811	65,255,155	66,253,402	66,963,214	66,264,356	69,345,042	69,272,649
Classified salaries	19,708,350	20,957,646	21,824,945	23,590,516	24,469,023	26,169,587	26,528,279	26,406,186	28,232,999	29,146,834
Employee benefits	35,551,543	33,519,166	36,530,416	36,726,281	40,646,585	39,030,557	41,192,153	39,383,984	41,868,933	42,490,787
Books and supplies	4,671,606	6,905,874	5,749,748	6,917,520	7,364,542	10,363,615	10,279,821	10,251,130	9,448,696	13,812,670
Services and operating expenditures	12,414,141	10,760,013	18,739,928	16,374,309	17,659,450	18,180,763	18,148,242	20,391,692	20,492,690	28,665,163
Capital outlay	125,342	2,984,833	176,768	2,739,460	374,504	3,038,576	114,395	1,228,681	417,000	2,415,160
Other outgo	1,508,377	960,976	2,062,820	1,086,571	1,235,331	1,229,643	1,512,956	1,081,836	2,993,580	2,936,014
Debt service										
Principal	550,000	130,775	630,000	--	700,000	124,047	775,000	119,138	--	--
Interest	422,659	--	381,600	2,200	356,400	11,986	328,400	6,767	--	--
Total Expenditures	129,454,426	132,996,780	142,819,785	149,628,668	158,060,990	164,402,176	165,842,460	165,133,770	172,798,940	188,739,277
Excess (Deficiency) of Revenues Over Expenditures	(3,069,922)	9,453,832	(4,234,793)	26,064,748	(2,436,842)	3,390,910	(10,597,191)	1,361,757	(12,998,718)	(18,388,995)
Other Financing Sources (Uses)										
Transfers In	--	--	--	896,643	--	56,272	--	--	--	--
Transfers out	--	(972,659)	--	(1,002,824)	--	(1,356,395)	--	(1,503,396)	--	--
Net Financing (Uses)	--	(972,659)	--	(106,181)	--	(1,300,123)	--	(1,503,396)	--	--
NET CHANGE IN FUND BALANCES	(3,069,922)	8,481,173	(4,234,793)	25,958,567	(2,436,842)	2,090,787	(10,597,191)	(141,639)	(12,998,718)	(18,388,995)
Fund Balance – Beginning	29,268,129	29,268,129	37,749,302	37,749,302	63,707,869	63,707,869	65,798,656	65,798,656	53,530,865	65,657,017
Fund Balance – Ending	$26,198,207	$37,749,302	$33,514,509	$63,707,869	$61,271,027	$65,798,656	55,201,465	$65,657,017	$40,532,147	$47,268,022

(1) Reflects restricted and unrestricted General Fund. All numbers rounded to the nearest whole number; may not sum due to rounding.
(2) From the District's comprehensive audited financial statements for fiscal years 2021-22 through 2024-25.
(3) From the District's budget for fiscal year 2025-26.
(4) From the District's first interim financial report for fiscal year 2025-26. All numbers rounded to the nearest whole number; columns may not sum due to rounding.
Source: Lucia Mar Unified School District.

Accounting Practices

The accounting policies 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. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the financial statements follows. The District's audited financial statements for the year ended June 30, 2025 are attached as APPENDIX B hereto. The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2020-21 through 2024-25.

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AUDITED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE[1]
Fiscal Years 2020-21 through 2024-25
Lucia Mar Unified School District

	2020-21	2021-22	2022-23	2023-24	2024-25
REVENUES					
Local Control Funding Formula	$99,362,727	$106,009,276	$120,822,082	$127,039,479	$126,279,297
Federal sources	11,308,167	13,370,303	9,390,473	7,441,397	5,369,413
Other State sources	15,197,932	18,859,256	37,821,114	21,027,680	22,677,924
Other local sources	4,047,269	4,211,777	7,659,747	12,284,530	12,168,893
Total Revenues	129,916,095	142,450,612	175,693,416	167,793,086	166,495,527
EXPENDITURES					
Current					
Instruction	75,931,696	83,452,013	92,782,388	100,745,004	104,230,794
Instruction-related activities:					
Supervision of instruction	1,991,277	2,925,251	3,282,391	4,369,487	4,597,416
Instructional library, media, and technology	625,339	729,370	816,761	814,476	895,311
School site administration	7,858,941	9,004,595	10,453,117	11,072,604	11,709,890
Pupil services:					
Home-to-school transportation	2,318,995	4,580,788	3,079,599	3,161,721	3,231,189
Food services	35,308	7,791	58,934	455,569	662,737
All other pupil services	8,912,381	9,667,848	11,495,012	13,029,459	13,080,884
Administration:					
Data processing	1,546,938	2,177,497	1,677,291	3,979,581	1,875,459
All other administration	5,249,694	5,454,773	7,171,183	6,563,076	6,802,374
Plant services	11,388,842	11,609,865	13,474,373	14,961,546	14,461,237
Facilities acquisition and maintenance	139,279	523,687	2,452,430	1,782,211	280,618
Ancillary services	1,179,146	1,485,078	1,611,276	1,775,565	1,725,984
Community services	2,842	3,459	4,201	3,607	5,950
Other outgo	1,297,302	1,243,990	1,267,512	1,552,237	1,448,022
Debt service					
Principal	269,207	130,775	--	124,047	119,138
Interest and other	241,480	--	2,200	11,986	6,767
Total expenditures	118,988,667	132,996,780	149,628,668	164,402,176	165,133,770
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,927,428	9,453,832	26,064,748	3,390,910	1,361,757
Other Financing Sources (Uses)					
Transfers In	9,717	--	896,643	56,272	--
Transfers Out	(532,877)	(972,659)	(1,002,824)	(1,356,395)	(1,503,396)
Net Financing Sources (Uses)	(523,160)	(972,659)	(106,181)	(1,300,123)	(1,503,396)
NET CHANGE IN FUND BALANCE	10,404,268	8,481,173	25,958,567	2,090,787	(141,639)
Fund Balance – Beginning	18,863,861	29,268,129	37,749,302	63,707,869	65,798,656
Fund Balance – Ending	$29,268,129	$37,749,302	$63,707,869	$65,798,656	$65,657,017

[1] From the District's comprehensive audited financial statements for fiscal years 2020-21 through 2024-25, respectively. Reflects combined unrestricted and restricted general fund. All numbers rounded to the nearest whole number; columns may not sum due to rounding.
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 in this Official Statement 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 required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof.*

2025-26 State Budget. On June 27, 2025, the Governor signed the State budget for fiscal year 2025-26 (the "2025-26 State Budget"). The following is drawn from the DOF and LAO summaries of the 2025-26 State Budget.

The 2025-26 State Budget reports that, since the release of the Governor's proposed State budget, the imposition of federal policy changes significantly slowed economic growth within the State. Most notably, broad-based tariffs blunted economic growth and drove a downgrade of the economic forecasts built into the May revision to the proposed State budget. Additionally, the State experienced substantial cost and caseload growth in several core State programs, most notably within Medi-Cal, which combined to create a State general fund shortfall of $11.8 billion. The 2025-26 State Budget notes that the budget does not reflect the impact of substantial cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The State continues to monitor the impacts of the federal spending cuts and may need to make adjustments to the 2025-26 State Budget as a result. The 2025-26 State Budget solves the projected $11.8 billion deficit through significant reductions in ongoing programs and a mix of other broad-based measures, including:

- *Reductions* – $2.8 billion in total reductions in fiscal year 2025-26, which grows to $11.9 billion by fiscal year 2028-29 through (i) an enrollment freeze for full-scope Medi-Cal expansion for undocumented adults ages 19 and older, (ii) a reduction in Medi-Cal premiums for adults 19-59 with unsatisfactory immigration status, (iii) altering the Medi-Cal asset test limit, (iv) an elimination of dental benefits for adults age 19 or older with unsatisfactory immigration status, (v) a reduction in prospective payment system payments to federally qualified health centers and rural health clinics, (vi) eliminating specialty drug coverage for weight loss, (vii) a reduction in pharmacy drug rebates and (viii) requiring provider mandates for quality incentive payment program eligibility.

- *Revenues/Borrowing* – $7.8 billion in additional revenues and borrowings through (i) $1.3 billion of support from the managed care tax approved in November of 2024 (Proposition 35) in fiscal year 2025-26 for Medi-Cal rate increases, as well as $263.7 million of such support in fiscal year 2026-27, (ii) a loan of $4.4 billion across the three-year budget window, including $1 billion for fiscal year 2025-26 from the medical providers interim payment fund loan, (iii) a loan of $150 million in fiscal year 2025-26 from the unfair competition law fund loan, (iv) a loan of $400 million in fiscal year 2025-26 from the labor and workforce development fund loan and (v) $1.5 billion in additional special fund and internal borrowing.

- *Fund Shifts* – $1.2 billion in total solutions for fiscal year 2025-26 primarily through shifting the costs for Cal Fire operations from the general fund to the greenhouse gas reduction fund. The 2025-26 State Budget estimates additional savings in shifting the costs to the greenhouse gas reduction fund of $1.3 billion in fiscal year 2026-27 and $500 million in both fiscal years 2027-28 and 2028-29.

In its summary of the 2025-26 State Budget, the LAO estimates the budget shortfall for fiscal year 2025-26 as $15.0 billion, and notes that the 2025-26 State Budget primarily closes the shortfall by utilizing approximately $10 billion in borrowing, which is defined by the LAO as budget actions that achieve savings in the present but result in an obligation or higher cost for the State in a future year. The approximate $10 billion borrowing represents two-thirds of the total solutions, with spending reductions of approximately $2.5 billion, fund shifts of approximately $3 billion and revenue-related solution of approximately $300 million representing the remaining one-third of the budget solutions.

For fiscal year 2024-25, the 2025-26 State Budget projects total general fund revenues and transfers of $226.7 billion and authorizes expenditures of $233.6 billion. The State is projected to end fiscal year 2024-25 with total reserves of approximately $35.9 billion, including $18.3 billion in the BSA, $455 million in the PSSSA and $17.1 billion in traditional general fund reserves. The State budget for fiscal year 2024-25 authorized BSA withdrawals of $5.1 billion in fiscal year 2024-25 and $7.1 billion in fiscal year 2025-26. The 2025-26 State Budget maintains the scheduled $7.1 billion withdrawal for fiscal year 2025-26. For fiscal year 2025-26, the 2025-26 State Budget projects total general fund revenues and transfers of $215.7 billion and authorizes expenditures of $228.4 billion. The State is projected to end fiscal year 2025-26 with total reserves of approximately $15.7 billion, including $4.5 billion in the traditional general fund reserve and $11.2 billion in the BSA. The PSSSA and the Safety Net Reserve are projected to have zero balances in fiscal year 2025-26.

The 2025-26 State Budget sets total funding in fiscal year 2025-26 for all TK-12 education programs at $137.6 billion, including $80.5 billion from the State general fund and $57.1 billion from other sources. The minimum funding guarantee in fiscal year 2025-26 is set at $114.6 billion. The 2025-26 State Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2023-24 and 2024-25, setting them at $98.5 billion and $119.9 billion, respectively. The revised general fund estimates resulted in notable adjustments to the minimum funding guarantee with an increase of approximately $3.9 billion from the State budget for fiscal year 2024-25 over the three-year period.

For fiscal year 2024-25, the 2025-26 State Budget appropriates $118 billion, instead of the currently calculated level of $119.9 billion, in order to mitigate the risk of potentially appropriating more resources to the minimum funding guarantee than are available in the final calculation for fiscal year 2024-25. The minimum funding level for fiscal year 2024-25 will not be finalized until that fiscal year is certified, which is a process that will occur throughout 2026. The 2025-26 State Budget projects that Test 1 will be in effect for fiscal year 2025-26. To accommodate enrollment increases related to the continued implementation of Universal Transitional Kindergarten and property tax backfills related to the January 2025 fires in the County of Los Angeles, the 2025-26 State Budget rebenches the Test 1 percentage, from approximately 39.2% to 39.6%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

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

- *LCFF* – The 2025-26 State Budget includes an LCFF COLA of 2.3%. When combined with population growth adjustments, these result in an increase of roughly $2.1 billion in discretionary funds for local educational agencies, as compared to the level set in the prior State budget. As a result, the adjusted LCFF Base Grants for fiscal year 2025-26 are as follows: (i) $11,323 for grades TK-3, (ii) $10,411 for grades 4-6, (iii) $10,719 for grades 7 and 8, and (iv) $12,746 for grades 9-12. Additionally, the adjusted TK add on rate for fiscal year 2025-26 is $5,545. The 2025-26 State Budget authorizes a mandatory deposit of $455 million into the PSSSA in fiscal year 2024-25, of which the entirety is exhausted in fiscal year 2025-26, including $405.3 million to support LCFF costs. The LAO notes that the 2025-26 State Budget creates a $1.7 billion gap beyond ongoing Proposition 98 funding levels. The gap is covered in fiscal year 2025-26 by one-time savings generated through deferring payments from fiscal year 2025-26 to fiscal year 2026-27, withdrawing funds from the PSSSA and repurposing some unused Proposition 98 funds from prior fiscal years. The one-time savings expire after fiscal year 2025-26 and will need to be addressed in fiscal year 2026-27 with new ongoing funds, ongoing reductions, or additional one-time actions.

- *Deferrals* – The 2025-26 State Budget reflects LCFF apportionment deferrals from 2024-25 to 2025-26 of approximately $246.6 million, and from 2025-26 to 2026-27 of approximately $1.9 billion.

- *Universal Transitional Kindergarten (TK)* – The 2025-26 State Budget provides $2.1 billion (inclusive of all prior years' investments) in ongoing Proposition 98 funding to support the full implementation of universal TK so that all children who turn 4 years old by September 1 of the school year can enroll in the 2025-26 school year. The 2025-26 State Budget also provides $1.2 billion ongoing Proposition 98 funding to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom. Additionally, the 2025-26 State Budget shifts $232.9 million of ongoing Proposition 98 funding for universal TK funding that was previously allocated to community college districts as a result of the Proposition 98 statutory split to the TK-12 side of the budget.

- *Before School, After School and Summer School* – $515.5 million in ongoing Proposition 98 funding for the Expanded Learning Opportunities Program, which seeks to implement before, after and summer school instruction and enrichment for students in grades TK-6, by increasing the number of local education agencies that offer universal access to students with an unduplicated count of 75 percent to an unduplicated count of 55 percent. The 2025-26 State Budget includes an additional $10.4 million to increase the minimum grant amounts from $50,000 to $100,000 per local educational agency.

- *Literacy Instruction* – $480 million in one-time Proposition 98 funding for the support of the English Language Arts/English Language Development framework, which includes investments such as literacy coaches, reading specialists, trainings for educators, administering screenings and providing materials. The 2025-26 State Budget also provides $10 million in one-time Proposition 98 funding for the statewide use of English language proficiency screeners to support multilingual learners in TK.

- *Teacher Preparation and Professional Development* – $300 million in one-time Proposition 98 funding to establish the Student Teacher Stipend Program, which will provide $10,000 grants to qualifying teacher candidates, $70 million in one-time Proposition 98 funding for high-quality teacher residency programs and $30 million in one-time Proposition 98 funding to extend the timeline of existing National Board Certification Incentive Program to support National Board Certified teachers to teach in high poverty schools.

- *State Preschool* – The 2025-26 State Budget provides $19.3 million Proposition 98 funding and $10.2 million non-Proposition 98 funding for the California State Preschool Program to augment provider rates, supporting the costs of care. The 2025-26 State

Budget also provides authority to the Department of Education to take certain actions related to the California State Preschool program.

- *Learning Recovery Emergency Block Grant* – $378.6 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.

- *Universal School Meals Support Grant* – $145 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure, training and procurement of sustainably grown food to support schools in providing more freshly prepared meals, $10 million in one-time Proposition 98 funding to recruit and retain school food service workers and $5 million in one-time Proposition 98 funding for a study of ultra-processed foods offered in California school meals.

- *Special Olympics* – $30 million in one-time general funds, available over three years, for the Special Olympics of Northern and Southern California.

- *Mathematics Professional Learning Partnership* – $30 million in one-time Proposition 98 funding for the Mathematics Professional Learning Partnership and for the Kern County Superintendent of Schools to support educator training and mathematics coaching in local educational agencies, including expanding upon collaboration with the Rural Math Collective and training mathematics coaches who can be deployed in schools with the highest need of support.

- *Summer Electronic Benefits Transfer (SUN Bucks)* – $21.9 million in additional ongoing Proposition 98 funding to support the SUN Bucks program, which provides nutrition funding to eligible students during the summer months, to provide a match to an equal amount of federal funds to support the program.

- *Children and Youth Behavioral Health Initiative Grants* – $20 million in one-time Proposition 98 funding to support the implementation of the Children and Youth Behavioral Health Initiative's all-payer fee schedule.

- *Secondary School Redesign Pilot Program* – $10 million in one-time Proposition 98 funding for the California Collaborative of Educational Excellence to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes, and to manage a network of grantees to support peer learning and documentation of practices.

- *TK Multilingual Learner Supplemental Funding* - $7.5 million in one-time Proposition 98 funding, available through fiscal year 2026-27, to mitigate reductions in potential LCFF apportionment to local educational agencies resulting from the exemption of TK students from the English language proficiency assessment.

For additional information regarding the 2025-26 State Budget, see the DOF and LAO websites www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such website is not incorporated herein by any reference.

2026-27 Proposed State Budget. On January 9, 2026, the Governor released the proposed State budget for fiscal year 2026-27 (the "Proposed 2026-27 Budget"). The following is drawn from the DOF and LAO summaries of the Proposed 2026-27 Budget.

The Proposed 2026-27 Budget reports that the State experienced a welcome surge in revenues since the 2025-26 State Budget, with a projection approximately $42 billion higher over the three-year budget window, from fiscal year 2024-25 through 2026-27, than the projection at the 2025-26 State Budget. Much of the revenue surge is attributable to a relatively small number of technology companies that have experienced a substantial increase in their share prices due to investor enthusiasm in artificial intelligence. Additionally, the increase in revenues is due to higher cash receipts, higher stock market levels and an improved economic outlook. However, the Proposed 2026-27 Budget reports that the constitutional funding requirements, need for an adequate budget reserve and higher program costs exceed the level of increased revenues, resulting in a projected shortfall of $2.9 billion for fiscal year 2026-27. Despite the $12 billion in ongoing expenditure reductions included in the 2025-26 Budget, the State continues to be confronted with structural operating deficits that need to be addressed. The Proposed 2026-27 Budget identifies dominant risks to the State budget as stock market and asset price declines and unpredictable federal policies, including continued uncertainty regarding tariffs and immigration, as well as their impact on inflation, the labor market, investment and overall demand. Additionally, significant federal policy changes for health and human services programs due to the adoption of House of Representatives ("H.R.") 1 of 2025, which increased projected costs for the State's Medicaid Program and Supplemental Nutrition Assistance Program in fiscal year 2026-27 by approximately $1.4 billion. The Proposed 2026-27 Budget reports a balanced budget for fiscal year 2026-27, with a discretionary reserve of $4.5 billion and projects a deficit of roughly $22 billion in fiscal year 2027-28, with additional shortfalls in the two subsequent fiscal years.

The LAO notes that the administration's revenue estimates in the Proposed 2026-27 Budget exceed LAO projections by $25 to $30 billion over the three-year budget window. The LAO revenue projections reflect an assessment that recent gains are unlikely to be sustainable as they are tied to an overheated stock market with a high risk of reversing course into a downturn in the next year or two. The LAO reports that the Proposed 2026-27 Budget relies on the increased revenue forecast in order to remain roughly balanced for fiscal year 2026-27 and continues to project alarming multiyear budget deficits, with estimates ranging between $20 billion to $35 billion annually. The LAO reports that the Proposed 2026-27 Budget does not propose material actions to address downside revenue risk.

For fiscal year 2025-26, the Proposed 2026-27 Budget projects total general fund revenues and transfers of $235.16 billion and authorizes expenditures of $237.66 billion. The State is projected to end the 2025-26 fiscal year with total reserves of approximately $41.3 billion, including $11.33 billion in the BSA, $25.45 billion in traditional general fund reserves and $4.51 billion in the PSSSA. For fiscal year 2026-27, the Proposed 2026-27 Budget projects total general fund revenues and transfers of approximately $227.39 billion and authorizes expenditures of $248.33 billion. The State is projected to end the 2026-27 fiscal year with total reserves of approximately $23 billion, including $4.51 billion in the traditional general fund reserve, $14.35 billion in the BSA and $4.10 billion in the PSSSA. The Safety Net Reserve is projected to have a zero balance across both fiscal years 2025-26 and 2026-27.

The Proposed 2026-27 Budget sets total funding in fiscal year 2026-27 for all TK-12 education programs at $149.1 billion, including $88.7 billion from the State general fund and $60.4 billion from other sources. TK-12 per-pupil funding totals $27,418, including $20,427 from Proposition 98 sources. The minimum funding guarantee in fiscal year 2026-27 is set at $125.5 billion. The Proposed 2026-27 Budget also makes retroactive changes to the minimum funding guarantee in fiscal years 2024-25 and 2025-26, setting them at $123.8 billion and $121.4 billion, respectively. The revisions to the minimum funding guarantee represent an increase of approximately $21.7 billion over the three-year period relative to the 2025-26 State Budget. For fiscal year 2025-26, the Proposed 2026-27 Budget appropriates $117.6 billion, instead of the currently calculated level of $121.4 billion, in order to mitigate the risk of potentially appropriating more resources to the minimum funding guarantee than are available in the final calculation for 2025-26. Potential adjustments will be evaluated at the May revision to the Proposed 2026-27 Budget and will not be final until the certification of the 2025-26 minimum funding guarantee. The Proposed 2026-27 Budget projects Test 1 of the guarantee to be in effect for fiscal years 2024-25, 2025-26 and 2026-27, meaning the funding level is equal to roughly 40% of State general fund revenues that count towards the minimum funding guarantee.

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

- *LCFF* – The Proposed 2026-27 Budget includes an LCFF COLA of 2.41%. When combined with population growth adjustments, this would result in an increase of roughly $2 billion in discretionary funds for local educational agencies. The Proposed 2026-27 Budget fully repays budgetary deferrals of $1.9 billion in 2026-27, and includes an ongoing increase of $30.7 million to provide an increase in LCFF for necessary small schools. The Proposed 2026-27 Budget also provides $228 million in ongoing Proposition 98 funding to reflect a 2.41% COLA for specific categorical programs and the LCFF Equity Multiplier. Finally, the Proposed 2026-27 Budget reflects a $15.6 million decrease in ongoing Proposition 98 funding to reflect ADA changes applicable to LCFF funding for county offices of education, as well as a 2.41% COLA.

- *Master Plan for Career Education/Student Support and Professional Development Discretionary Block Grant* – $100 million in one-time Proposition 98 funding to increase access to college and career pathways for high school students, including expanding access to dual enrollment and duel credit opportunities. $2.8 billion in one-time Proposition 98 funding for a discretionary block grant to implement statewide priorities including: professional development for teachers in English language arts and mathematics, teacher recruitment and retention, professional development related to transitional kindergarten and career pathways and dual enrollment expansion consistent with the Master Plan for Career Education. Additionally, $250 million in one-time Proposition 98 funding to continue teacher residency programs through fiscal year 2029-30.

- *Before School, After School and Summer School* – An additional $62.4 million in ongoing Proposition 98 funding to provide a guarantee of $1,800 per pupil for local educational agencies with less than 55 percent unduplicated pupils, bringing the total $4.7 billion in ongoing Proposition 98 funding for the Expanded Learning Opportunities Program.

- *Facilities* –$1.5 billion in one-time funds from bonds issued under the 2024 State School Facilities Bond to support school construction projects in fiscal year 2026-27. For additional information, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 (2024)" herein.

- *Learning Recovery Emergency Block Grant* – $757.3 million in one-time Proposition 98 funding to support the Learning Recovery Emergency Block Grant, which supports local educational agencies in establishing learning recovery initiatives through the 2027-28 school year.

- *Home-to-School Transportation* – $322 million in one-time and $239.2 million in ongoing Proposition 98 funding to reflect higher costs in the Home-to-School Transportation Program.

- *Kitchen Infrastructure and Training* – $100 million in one-time Proposition 98 funding for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.

- *Reading Difficulties Risk Screening* – $40 million in one-time Proposition 98 funding to support continued implementation of student reading difficulties screenings.

- *Los Angeles County Wildfire Recovery* – $22.9 million in one-time Proposition 98 funding to support local educational agencies that are continuing to recover from the January 2025 Los Angeles County wildfires.

- *Universal and Targeted Assistance* – An additional $13.3 million ongoing Proposition 98 funding, for a total of $131.9 million ongoing, for county offices of education to provide universal and targeted support to school districts and charter schools, including those eligible for differentiated assistance.

- *Financial Crisis and Management Assistance Team (FCMAT)* – $994,000 in additional ongoing Proposition 98 funding to support increased FCMAT workload.

- *Nutrition* – An ongoing decrease of $67.9 million in ongoing Proposition 98 funding to fully fund the Universal School Meals Program, reflecting a reduction in fiscal year 2025-26 estimates compared to the 2025-26 State Budget and an increase in meal reimbursement rates.

- *Local Property Tax Adjustments* – A decrease of $1.4 billion in fiscal year 2026-27 and $18 million in fiscal year 2025-26 in ongoing Proposition 98 funding for school districts and county offices of education.

- *Technology Initiatives* – $629,000 in additional ongoing Proposition 98 funding to support the K-12 High Speed Network program and $966,000 in additional ongoing Proposition 98 funding to support increased California School Information System costs.

- *Curriculum-Embedded Performance Tasks for Science* – $890,000 in ongoing Proposition 98 funding to maintain performance task resources at the Los Angeles County Office of Education in support of inquiry-based science instruction.

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

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District 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 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 in an amount sufficient 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, one independent study academy and one adult education program, and serves a population of approximately 79,641 residents. For fiscal year 2025-26, the District has projected a total ADA and enrollment of approximately 8,969 and 9,593 students, respectively. Taxable property within the District has a fiscal year 2025-26 assessed valuation of $21,115,979,103.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Lucia Mar Unified School District, 602 Orchard Street, Arroyo Grande, California 93420, Attention: Assistant Superintendent, Business Services. The District may impose a charge for copying, mailing and handling.

Administration

The District is governed by a seven-member Board. Board members serve four year terms and are elected by voters within seven trustee areas. 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 office and the date their term expires, are listed below:

BOARD OF EDUCATION
Lucia Mar Unified School District

Board Member	Office	Term Expires
Don Stewart	President	December 2028
Colleen Martin	Vice President	December 2026
Donna Kandel	Clerk	December 2026
Dee Santos	Member	December 2028
Andrea Naemi-Vergne	Member	December 2026
Mike Fuller	Member	December 2028
Eilene Pham	Member	December 2026

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Paul Fawcett is currently the Superintendent of the District. Brief biographies of the Superintendent, Assistant Superintendent, Business Services and Executive Director of Facilities follow:

Paul Fawcett, Ed.D., Superintendent. Dr. Fawcett became the Superintendent of the District on July 1, 2020. Dr. Fawcett joined the District in 2016 as its Director of Special Education, and subsequently served as the Assistant Superintendent, Human Resources prior to being appointed Superintendent. 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.

Curt Eichperger, Ed.D., Assistant Superintendent, Business Services. Dr. Eichperger was appointed Assistant Superintendent, Business Services of the District in June of 2023. Dr. Eichperger has previously served as the Assistant Superintendent, Human Resources at Atascadero Unified School District, Coordinator of Student Safety and Support at the District, and teacher at various school districts, including the District. Dr. Eichperger earned a Bachelor's Degree in History from California State University San Marcos, a Master's Degree in Curriculum and Instruction from California Polytechnic State University-San Luis Obispo, and a Doctorate in Organizational Leadership from University of Massachusetts Global.

Andy Stenson, Executive Director of Facilities. Mr. Stenson has served as the Executive Director of Facilities of the District since July of 2020. He has served at the District for over 29 years, most recently serving as the District's Superintendent from 2018 to 2020. Mr. Stenson received his Master's Degree in Educational Administration from Chapman University.

Enrollment Trends

On average, the student-teacher ratio in the District is 22:1 in grades TK-3, 27:1 in grades 4-6, 25:1 in grades 7-8, and 28:1 in grades 9-12. The table on the following page reflects the enrollment history for the District for the last 10 years.

ENROLLMENT HISTORY
Fiscal Years 2016-17 through 2025-26
Lucia Mar Unified School District

Fiscal Year	Enrollment[1]	Change in Enrollment
2016-17	10,649	--
2017-18	10,550	(99)
2018-19	10,363	(187)
2019-20	10,267	(96)
2020-21	9,921	(346)
2021-22	9,793	(128)
2022-23	9,595	(198)
2023-24	9,626	31
2024-25	9,595	(31)
2025-26[2]	9,593	(2)

(1) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the CALPADS in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made by the California Department of Education.
(2) Projected.
Source: Lucia Mar Unified School District.

Charter Schools

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

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

There is one non-affiliated charter school, Trivium Charter, which operates a satellite campus within the boundaries of the District under a charter issued by Santa Barbara County. The District can make no representations regarding how many District students will transfer to such charter school in the future, and the corresponding financial impact on the District.

Labor Relations

The District currently employs 576.20 full-time equivalent (FTE) certificated employees and 530.83 FTE classified employees. In addition, the District employs 353 part-time faculty and staff. District employees, except management and some part-time employees, are represented by the 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	520	June 30, 2025
California School Employees Association, Local 275	392	June 30, 2026

Source: Lucia Mar Unified School District.

Members of the Lucia Mar Unified Teachers Association ("LMUTA") are currently operating under the terms of the expired agreement. LMUTA has declared that an impasse has been reached in connection with negotiations over a new labor agreement. Under California law, a formal declaration of impasse results in the assignment of a mediator to explore potential compromises and move toward an agreement among the parties. Following mediation, State law provides for a fact-finding process that involves the labor union, the employer and a neutral third party, after which a non-binding report is issued. Following the release of the report, the employer has the opportunity to impose its last, best offer which, if rejected by the labor union, can lead to concerted actions such as strikes, picketing or work stoppages. The District can make no representations regarding the ultimate resolution of any disagreements with its labor unions.

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

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

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

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

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 was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal year 2022-23, 19.1% in fiscal year 2023-24, 19.1% in fiscal year 2024-25 and will be 19.1% in fiscal year 2025-26.

The District's contributions to STRS were $14,912,371 in fiscal year 2021-22, $16,483,329 in fiscal year 2022-23, $17,262,495 in fiscal year 2023-24 and $17,780,468 in fiscal year 2024-25. The District currently projects $18,783,186 for its contribution to STRS for fiscal year 2025-26.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2024-25 and 8.328% for fiscal year 2025-26. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

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

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

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

The District's contributions to PERS were $4,901,882 in fiscal year 2021-22, $6,308,854 in fiscal year 2022-23, $7,486,588 in fiscal year 2023-24 and $7,821,583 in fiscal year 2024-25. The District currently projects $8,742,662 for its contribution to PERS for fiscal year 2025-26.

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.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2012-13 through 2023-24

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]
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
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552
2022-23	359,741	299,148	85,571	273,155	86,586
2023-24	380,507	321,910	85,532	291,838	88,669

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
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]
2019-20[6]	104,062	71,400	32,662	--[4]	--[4]
2020-21	110,507	86,519	23,988	--[4]	--[4]
2021-22	116,982	79,386	37,596	--[4]	--[4]
2022-23	124,924	84,292	40,632	--[4]	--[4]
2023-24	133,978	93,187	40,791	--[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) For the fiscal year 2020-21 actuarially determined contribution, the additional $430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

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

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

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

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

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2024 (the "2024 STRS Actuarial Valuation") reports that, based on an actuarial value of assets, the unfunded actuarial obligation increased by approximately $2.1 billion since the 2023 STRS Actuarial Valuation and the funded ratio increased by 0.8% to 76.7% over such time period. This increase in unfunded actuarial obligation was primarily due to salary increases that exceeded those assumed in the valuation, which resulted in a larger-than expected increase in the actuarial obligation. The funded ratio continued to increase primarily due to the required contributions made by employers and the State in fiscal year 2023-24 to eliminate their share of the unfunded actuarial obligation by 2046. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the "Unallocated UAO"). There was a decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from $356 million as of June 30, 2023 to $140 million as of June 30, 2024.

According to the 2024 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2043 of 100.7%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

On November 13, 2025, STRS released its 2025 Review of Funding Levels and Risks (the "STRS 2025 Review of Funding Levels and Risks"), which is based on the 2024 STRS Actuarial Valuation. The STRS 2025 Review of Funding Levels and Risks notes that funding projections have improved slightly since the completion of the June 30, 2023 actuarial valuation that was presented to the STRS

Board in May 2025 in part due to the investment return earned by STRS in fiscal year 2024-25. Full funding is now projected to occur in 2043, three years ahead of schedule.

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

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

In January 2024, the STRS Board adopted a change to the rate at which the payroll is assumed to increase, from 3.5% per year down to 3.25% per year. With this change, STRS now assumes that the population of active teachers will decline slowly over time. This assumption is key in determining contribution rates and whether the funding plan will successfully eliminate the current unfunded actuarial obligation by 2046 since STRS collects contributions as a percentage of payroll. If the active membership declines faster than anticipated and the payroll fails to grow as assumed, STRS' ability to make progress toward full funding could be at risk. Retirements from active teachers are expected to increase significantly over the next 10 years. Although an increase in retirements does not necessarily impact long-term funding, if schools do not replace the teachers who retire in the future, that could result in a reduction in the overall number of teachers and impact STRS' ability to reach full funding by 2046. With the anticipated decline in the number of children enrolled in K–12 public schools, the risk that the number of teachers may go down in the future is real and was one of the considerations when the STRS Board lowered the payroll growth assumption in January 2024.

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

The STRS 2025 Review of Funding Levels and Risks notes that investment volatility and the risk that STRS may not be able to meet its assumed investment return over the long-term remains the greatest risk facing STRS today. The combination of a maturing system and the decreasing timeframe of the funding plan only serves to increase this risk. STRS 2024 Review of Funding Levels and Risks notes that (i) when investment returns are below expectations, the unfunded actuarial obligation increases, requiring additional contributions to bridge the gap; however, the funding plan provides the STRS Board limited authority to increase contribution rates for both the state and employers through 2046 for this purpose; (ii) the State bears the greatest risk when it comes to investment volatility due to rules set in the funding plan that allocate the largest share of the assets to the State which results in its share of the unfunded actuarial obligation being the most sensitive to investment volatility; (iii) the specific restrictions the funding plan places on contribution rate increases for both the State and employers limit STRS' ability to respond to investment volatility, and (iv) since the funding plan expires in 2046, after which the STRS Board's authority to adjust contribution rates terminates, the time period over which to fund an existing and new unfunded actuarial obligation is declining each year.

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

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points (revised to two percentage points in 2017). On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%. On April 15, 2024, the PERS Board removed the automatic mechanism to reduce the discount rate and added a provision to the Funding Risk Mitigation Policy to bring an agenda item to the PERS Board for discussion if a funding risk mitigation event occurs.

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

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

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

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 18, 2025 (the "2025 Experience Study"), the PERS Board approved new actuarial assumptions, including (i) maintaining the current 6.8% discount rate, (ii) increasing the inflation rate from 2.3% to 2.5% per year, (iii) maintaining the assumed real wage inflation assumption to 0.5%, which results in an increase of total wage inflation of 2.80% to 3.0%, (iv) maintaining the payroll growth rate at 2.8%, and (v) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2025 and first impacted contribution rates for school districts in fiscal year 2026-27. Based on the timing of this study, the member data used for the analysis, which runs through June 30, 2023, does include impacts of COVID-19. Due to the anomalies created by COVID-19, some of the COVID-19 data was excluded.

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

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

On April 14, 2025, the PERS Board established the employer contribution rates for fiscal year 2025-26 and released information from the 2024 PERS Actuarial Valuation, which was released in September of 2025. From June 30, 2023 to June 30, 2024, the funded status of the Schools Pool increased by 2.1% (from 67.5% to 69.6%) and the unfunded accrued liability increased by approximately $0.2 billion. The chief drivers of improvement were incoming contributions and investment return greater than expected, which were partially offset by greater-than-expected salary increases. Based on the June 30, 2024 assets as described in PERS Annual Comprehensive Financial Report, the money weighted investment return for fiscal year 2023-24 was 9.5%, generating an actuarial investment gain of $2.2 billion, which will be amortized over 20 years with a five-year ramp, decreasing the employer contribution rate in fiscal year 2025-26 by 0.23% of pay. Due to the 5-year ramp, this impact will escalate each year until it reaches an estimated reduction of 1.05% of pay in fiscal year 2029-30. Non-investment experience during fiscal year 2023-24, which includes both demographic experience and economic experience other than from investments, produced an actuarial loss of $2.8 billion, which will be amortized over 20 years, increasing the employer contribution rate by 1.12% in fiscal year 2025-26. Combined with a 0.21% decrease of the employer normal cost rate, the net effect of non-investment experience is an increase of 0.91% in the employer rate. The most significant source of non-investment experience was salary increase for active members, which generated an actuarial experience loss. The average salary increase was 9.7% for members actively employed during the entire year ending June 30, 2024. Total payroll in fiscal year 2023-24 increased by 12.6% over the prior year, compared with 2.8% expected. This change, driven by a combination of active headcount growth and salary increases, served to reduce the employer contribution rate for fiscal year 2025-26 by 1.58% of pay as the dollar amount of the unfunded liability contribution is divided by a larger payroll number.

Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to assumptions, methods or benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members, the projected contribution rate for fiscal year 2026-27 is 26.9%, 27.8% in fiscal year 2027-28, 27.4% in fiscal year 2028-29, 27.0% in fiscal year 2029-30, and 26.2% in fiscal year 2030-31. The actual investment return for fiscal year 2024-25 was not known at the time these projections were made. The projections above assume the investment return for that year will be 6.8%. If the actual investment return differs from 6.80%, the actual contribution requirements for the projected years will differ from those shown above.

On July 14, 2025, PERS reported a preliminary net return on investment of 11.6% for PERF for the 12-month period ending June 30, 2025, bringing the PERF total assets under management to approximately $556.2 billion. Preliminary total fund annualized returns for the five-year period ending June 30, 2025, stood at 8%; the 10-year period at 7.1%; the 20-year period at 6.7%; and the 30-year period at 7.6%. The ending value of the PERF for fiscal year 2024-25 will be based on additional factors beyond investment returns, including employer and employee contributions, monthly payments to retirees, and various investment fees. PERS will review the portfolio's performance in the subsequent few months to determine the final fiscal year returns for 2024-25. Once finalized, the fiscal year-end market value of PERS' assets is used to set contribution rates for the State and school districts in the 2026-27 fiscal year.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For PEPRA Members, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social

Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2025, the District's reported shares of the net pension liabilities for STRS and PERS were $65,235,748 and $48,804,261, respectively. For more information, see "— District Debt Structure – Long-Term Debt" herein and "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2024-25 – Note 13" attached hereto.

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, 2025, membership of the Plan consisted of 85 inactive employees or beneficiaries currently receiving Benefits payments, and 934 active employees who may become eligible for, but are not yet receiving, the Benefits.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the Board. Expenditures for the Benefits are recognized on a "pay-as-you-go basis" covering the cost of premiums paid for current retirees. During fiscal years 2021-22, 2022-23, 2023-24 and 2024-25, the District recognized $1,197,972, $1,031,519, $900,389, and $850,253 of expenditures for the Benefits, respectively. For fiscal year 2025-26, the District projects $971,871 of such expenditures for the Benefits.

Actuarial Study. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study, dated as of August 26, 2025 (the "Study"), concluded that the Total OPEB Liability (the "TOL") with respect to such Benefits, was $15,068,114. Because the District does not maintain a qualifying irrevocable trust, the District's Fiduciary Net Position ("FNP") was $0, and the Net OPEB Liability (the "NOL") is equal to the TOL. For more information regarding the District's other post-employment benefit liability, "APPENDIX B – 2024-25 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10" 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 Statement No. 74 replaces GASB Statements No. 43 and 57 and Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the 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 Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the total OPEB liability (the TOL), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (FNP) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB No. 74 had an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 was 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. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2024-25 – Note 10" 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, 2025, the District reported a liability of $377,684 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, 2024 and June 30, 2023, was 0.1417% and 0.1374%, respectively, resulting in a net increase in the proportionate share of 0.0043%.

For additional information, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2024-25 – Note 10" 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 also 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.

The District pays an annual premium to each of the above entities for its coverage.

For additional information, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2024-25 – Note 12" attached hereto.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the District has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. Additionally, the District carries cybersecurity insurance.

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

District Debt Structure

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

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

CHANGES IN LONG-TERM DEBT
Fiscal Year 2024-25
Lucia Mar Unified School District

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
General obligation bonds	$148,273,036	$205,255	$(1,995,000)	$146,483,291
Certificates of participation	8,785,000	--	(1,055,000)	7,730,000
Private placement debt issuances	5,614,634	--	(412,959)	5,201,675
Unamortized debt premiums	13,379,879	--	(653,787)	12,726,092
Unamortized debt discounts	(5,546)	--	3,697	(1,849)
Leases	257,604	--	(119,138)	138,466
Compensated absences	10,346,794	1,102,406	--	11,449,200
Total	$186,651,401	$1,307,661	$(4,232,187)	$183,726,875

Source: Lucia Mar Unified School District.

General Obligation Bonds. The District has issued general obligation bonds pursuant to several voter-approved authorizations. The table on the following page shows the combined debt service schedule with respect to the District's total outstanding general obligation bonded debt, assuming no optional redemptions are made.

COMBINED DEBT SERVICE SCHEDULE – OUSTANDING GENERAL OBLIGATION BONDS
Lucia Mar Unified School District

Year Ending August 1	2004 Series A Bonds	2016 Series A Bonds	2016 Series B Bonds	2016 Series C Bonds	2016 Series D Bonds	The Bonds	Total Annual Debt Service
2026	--	$1,104,550	$2,196,581	$1,414,600	$2,021,600.00		
2027	$950,000	1,104,550	2,281,331	1,396,600	2,149,100.00		
2028	2,625,000	1,444,550	2,260,831	1,444,000	2,105,100.00		
2029	--	1,497,550	2,340,081	1,494,200	2,177,850.00		
2030	--	1,547,050	2,424,081	1,547,000	2,256,600.00		
2031	--	1,603,050	2,507,331	1,602,200	2,335,850.00		
2032	--	1,660,050	2,593,475	1,659,600	2,415,350.00		
2033	--	1,717,800	2,684,975	1,719,000	2,499,850.00		
2034	--	1,776,050	2,779,475	1,775,200	2,588,850.00		
2035	--	1,839,550	2,879,075	1,838,200	2,676,850.00		
2036	--	1,902,800	2,977,675	1,902,600	2,773,600.00		
2037	--	1,970,550	3,080,075	1,966,800	2,873,350.00		
2038	--	2,042,300	3,190,875	2,038,300	2,965,600.00		
2039	--	2,112,550	3,299,475	2,106,800	3,075,350.00		
2040	--	2,186,050	3,416,150	2,182,300	3,181,350.00		
2041	--	2,262,300	3,536,900	2,259,500	3,293,350.00		
2042	--	2,340,800	3,660,900	2,338,250	3,405,600.00		
2043	--	2,425,000	3,787,400	2,418,400	3,527,600.00		
2044	--	2,507,800	3,921,000	2,504,800	3,647,637.50		
2045	--	2,594,000	4,059,400	2,592,150	3,775,075.00		
2046	--	2,683,200	4,202,000	3,290,300	3,543,862.50		
2047	--	--	5,283,200	5,215,800	3,687,112.50		
2048	--	--	--	5,399,200	7,105,400.00		
2049	--	--	--	5,584,800	7,358,000.00		
Total	$3,575,000	$40,322,100	$69,362,286	$57,690,600	$77,439,887.50		

Source: Lucia Mar Unified School District.

Lease Obligations. On April 7, 2011, the District executed and delivered 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"). 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"). On April 14, 2021, the District executed and delivered its 2021 Refunding Certificates of Participation in an aggregate principal amount of $10,090,000 (the "2021 Certificates" and together with the 2019 Lease and 2011B Certificates, the "Lease Obligations").

Each of the outstanding 2011B Certificates, 2019 Lease, and 2021 Certificates 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 table on the following page shows annual lease payments due from the District in connection with the Lease Payments, assuming no further optional prepayments.

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COMBINED ANNUAL LEASE PAYMENTS
Lucia Mar Unified School District

Year Ending (May 1)	2011B Certificates[(1)]	2019 Lease	2021 Certificates	Total Annual Lease Payments
2026	$1,633,338.54[(2)]	$409,000.00	$1,152,400.00	$3,194,738.54
2027	--	725,592.50	1,198,200.00	1,923,792.50
2028	--	737,922.50	1,250,800.00	1,988,722.50
2029	--	754,397.50	1,304,800.00	2,059,197.50
2030	--	759,875.00	1,330,000.00	2,089,875.00
2031	--	484,640.00	1,347,400.00	1,832,040.00
2032	--	501,672.50	1,097,200.00	1,598,872.50
2033	--	102,850.00	--	102,850.00
Total	$1,633,338.54	$4,475,950.00	$8,680,800.00	$14,790,088.54

(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, since May 1, 2019, the District has requested a reduced Subsidy Payment from the Treasury in connection with the 2011B Certificates, and will continue to do so going forward, in an amount equal to approximately 69.2% of the initial Subsidy Payment, less any Sequestration Reduction (as defined below).

The Subsidy Payments do not constitute a full faith and credit guarantee of the United States with respect to such certificates, but the Subsidy Payments are required to be paid on such certificates by the Treasury under the Recovery Act. Any Subsidy Payments received by the District are required to be deposited into the interest and sinking fund of the District within the County treasury. The subsidy payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the subsidy payments by 5.7% through the federal fiscal year ending September 30, 2030. In the absence of action by the U.S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the Sequestration Reduction rate is subject to change. In addition, the Sequestration Reduction could result in further sequestration ("PAYGO Sequestration") of subsidy payments under rules that provide for an across-the-board sequester of non-exempt mandatory spending programs if lawmakers enact net deficit-increasing legislation. The District cannot predict whether or how subsequent sequestration actions may affect subsidy payments currently scheduled for receipt.

(2) Final payment due April 1, 2026. The District has made mandatory sinking fund payments to the trustee for the 2011B Certificates in 2021, 2022, 2023, 2024 and 2025, which payments have been held in a principal payment account therefor. The District will make a final mandatory sinking fund payment in the amount of $295,000 to the trustee for the 2011B Certificates on April 1, 2026 to be used by the trustee, together with the previously made mandatory sinking fund payments, for the final principal payment due with respect to such 2011B Certificates on April 1, 2026.

Source: Lucia Mar Unified School District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming 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. However, it should be noted that with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over 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) 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.

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 (and original issue discount) 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 INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 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 LLP.

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) on 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 *ad valorem* property 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* property tax 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 finance or refinance 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 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

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations 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. In connection with the issuance of the Bonds, 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 (each, an "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 2025-26 fiscal year, which would be due on April 1, 2027, and to provide notices of the occurrence of certain listed events. The Annual Reports 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 Reports or the notices of listed events is included in APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" 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 timely file the fiscal year 2020-21 annual report and audited financials for its 2021 Certificates, as required by the Rule.

Litigation

No Litigation Regarding the Bonds. 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.

Pending Claims. As a result of certain legislative changes to procedures and available damages relating to claims of childhood sexual assault ("AB 218"), there is currently one pending claim against the District relating to childhood sexual assault, which is expected to be covered by insurance. The District cannot predict the outcome or effect of such claim or whether such claim will be successful by the plaintiff. If such claim is successful, the District cannot predict the magnitude of any final award of damages or settlement amount resulting from such claim.

IRS Voluntary Closing Agreement

The District 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 the 2011B Certificates, which were issued as Qualified Zone Academy Bonds. Pursuant to the Settlement, the District made a one-time payment to the IRS and, since May 1, 2019, the District has requested a reduced Subsidy Payment from the Treasury in connection with the 2011B Certificates, and the District will continue to do so going forward. See "LUCIA MAR UNIFIED SCHOOL DISTRICT – District Debt Structure – Lease Obligations" herein.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds 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 such rating agency. 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 notices of any rating changes on the Bonds on EMMA. See "- Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto.

Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency's website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Municipal Advisor

Fieldman Rolapp & Associates, Inc., the Municipal Advisor to the District, has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should be construed as a representation of the District:

The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement or any of the other legal documents related to the Bonds. Further, the Municipal Advisor does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any current, pending or future actions taken by any legislative or judicial bodies, or rating agencies.

Financial Statements

The District's audited financial statements with required supplemental information for the year ended June 30, 2025, the independent auditor's report of the District, the related statements of activities and of cash flows for the year then ended, and the report dated December 9, 2025 of Eide Bailly LLP (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

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 $__________ (consisting of the principal amount of the Bonds of $___________, plus [net] original issue premium of $___________, less an Underwriter's discount of $___________).

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 counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

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

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

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

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

Additional Information

The 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: ____
Curt Eichperger, Ed.D.
Assistant Superintendent, Business Services

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

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

[Closing Date]

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 $__________ Lucia Mar Unified School District (San Luis Obispo County, California) Election of 2024 General Obligation Bonds, Series A (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 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 5, 2024, and a resolution (the "Resolution") adopted by the Board of Education of the District on February 10, 2026.

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, 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; however, it should be noted with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest (and original issue discount) 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 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.

6. The amount by which a Bondowner'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 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,

Stradling Yocca Carlson & Rauth

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2024-25

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Financial Statements
June 30, 2025

Lucia Mar Unified School District

eidebailly.com

Eide Bailly

Independent Auditor's Report

To the Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Lucia Mar Unified School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences,* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2025

LUCIA MAR UNIFIED SCHOOL DISTRICT
BUSINESS SERVICES
602 Orchard Street, Arroyo Grande, CA 93420
Phone 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, 2025, with comparative information for the year ended June 30, 2024. 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 unit 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 (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. 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 governmental activities.

- The *Governmental 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

- All employee groups received a 2% on-schedule increase retroactive to July 1, 2024.
- Measure I Projects remained a major focus with many projects completed across the District.
- As Proposition 51 project (State Match) audits were completed, we began to utilize these funds for additional construction projects across the District.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 net position. 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 will serve as a useful indicator of whether the financial position of the District 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 – The District reports all of its services in this category. This includes the education of trans-kindergarten through grade twelve students, adult education students, 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 financial 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 the governmental fund financial statements.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $88,539,724 for the fiscal year ended June 30, 2025. Of this amount, $(49,478,428) was an unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use 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	
	2025	2024*
Assets		
Current and other assets	$ 156,014,383	$ 170,892,680
Capital assets	238,978,416	232,455,571
Total assets	394,992,799	403,348,251
Deferred outflows of resources	44,023,852	44,476,215
Liabilities		
Current liabilities	16,065,224	18,349,881
Long-term liabilities	313,212,682	321,977,694
Total liabilities	329,277,906	340,327,575
Deferred inflows of resources	21,199,021	11,636,970
Net Position		
Net investment in capital assets	90,136,708	93,860,935
Restricted	47,881,444	53,435,735
Unrestricted deficit	(49,478,428)	(51,436,749)
Total net position	$ 88,539,724	$ 95,859,921

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

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 16. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	$ 1,447,876	$ 1,509,005
Operating grants and contributions	35,330,407	39,498,865
Capital grants and contributions	1,112,131	5,790,361
General revenues		
Federal and State aid not restricted	35,208,770	39,896,784
Property taxes	100,526,834	97,729,558
Other general revenues	15,565,405	14,775,251
Total revenues	189,191,423	199,199,824
Expenses		
Instruction-related	125,431,943	123,692,694
Pupil services	25,524,114	24,614,957
Administration	9,782,281	11,413,213
Plant services	15,560,621	15,953,489
All other services	11,534,590	11,969,790
Total expenses	187,833,549	187,644,143
Change in net position	$ 1,357,874	$ 11,555,681

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

Governmental Activities

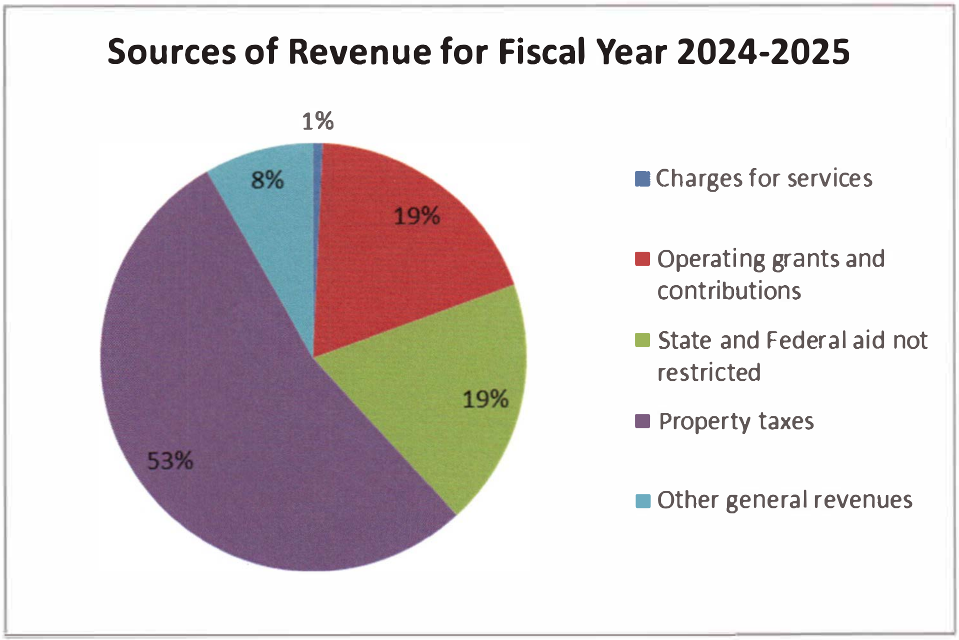
As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $187,833,549. The amount that our taxpayers ultimately financed for these activities through local taxes was $100,526,834 because the cost was paid by those who benefited from the programs ($1,447,876) or by other governments and organizations who subsidized certain programs with grants and contributions ($36,442,538). We paid for the remaining "public benefit" portion of our governmental activities with $35,208,770 in Federal and State funds, and with $15,565,405 other revenues, like interest and general entitlements.

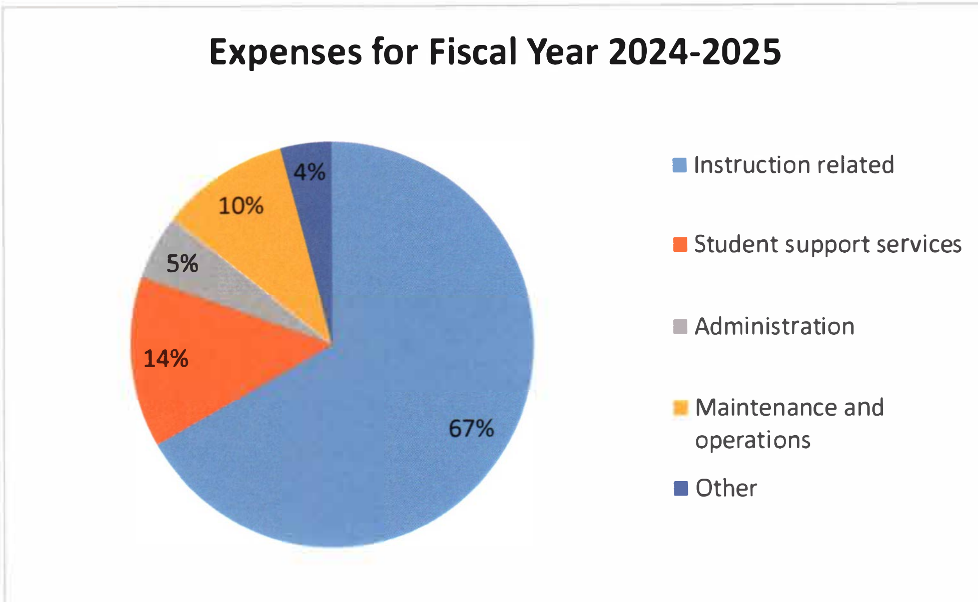
In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the 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	
	2025	2024*	2025	2024*
Instruction-related	$ 125,431,943	$ 123,692,694	$ (103,214,936)	$ (96,022,537)
Pupil services	25,524,114	24,614,957	(14,295,884)	(12,133,550)
Administration	9,782,281	11,413,213	(8,633,398)	(8,090,552)
Plant services	15,560,621	15,953,489	(14,756,268)	(14,997,051)
All other services	11,534,590	11,969,790	(9,042,649)	(9,602,222)
Total	$ 187,833,549	$ 187,644,143	$ (149,943,135)	$ (140,845,912)

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.





THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $141,420,673, which is a decrease of $12,552,302 from last year (Table 4).

Table 4

Governmental Fund	June 30, 2024	Balances and Activity: Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	$ 65,798,656	$ 166,495,527	$ 166,637,166	$ 65,657,017
Building	35,091,581	1,643,133	16,196,209	20,538,505
Special Reserve for Capital Outlay Projects	22,974,842	2,861,607	1,018,655	24,817,794
Student Activity	1,221,977	1,929,500	1,946,207	1,205,270
Adult Education	225,801	803,553	791,768	237,586
Cafeteria	9,887,583	10,610,112	8,305,849	12,191,846
Deferred Maintenance	49,511	401,888	437,738	13,661
Capital Facilities	3,186,233	1,617,449	2,297,383	2,506,299
County School Facilities	2,640,015	1,276,500	900,787	3,015,728
Bond Interest and Redemption	12,870,076	6,489,882	8,149,416	11,210,542
Debt Service for Blended Component Units	26,700	1,501,313	1,501,588	26,425
Total	$ 153,972,975	$ 195,630,464	$ 208,182,766	$ 141,420,673

The primary reasons for these increases/decreases are:

General Fund 01 Net decrease in fund balance of $141,639 due to the planned spend down of categorical funds.

Building Fund 21 Net decrease in fund balance of $14,553,076 due to on-going construction and modernization projects at various school sites.

Special Reserve Fund for Capital Outlay Projects 40 Net increase in fund balance of $1,842,952, as a result of Proposition 51 funds and RDA funding.

Non-Major Governmental Funds Net increase in fund balance of $299,461 as a result of operations as follows:

- **Fund 08** Student Activity Fund net decrease in fund balance of $16,707 as a result of ASB clubs normal operations.
- **Fund 11** Adult Education Fund net increase in fund balance of $11,785 due to decrease of expenditures for salaries and extra duty.
- **Fund 13** Cafeteria Fund net increase in fund balance of $2,304,263 as a result of operations. All students, regardless of income, were able to obtain a free lunch which we received reimbursement for as participants in the National School Lunch Program (NSLP).
- **Fund 14** Deferred Maintenance Fund net decrease in fund balance of $35,850. These funds will be used for projects in fiscal year 2025-2026.
- **Funds 25** Capital Facilities Fund net decrease in fund balance of $679,934 as a result of construction projects within the Capital Facilities Fund.
- **Fund 35** County School Facilities Fund net increase in fund balance of $375,713 due to transfers of Proposition 51 funding and State School Facilities Projects Revenue.
- **Fund 51** Bond Interest and Redemption Fund net decrease in fund balance of $1,659,534 of General Obligation Bond principal and interest payments exceeding current year taxes and interest collected.
- **Fund 52** Debt Service Fund for Blended Component Units net decrease in fund balance of $275 mainly due to certificates of participation principal and interest payments.

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 64.)

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had $238,978,416 in a broad range of capital assets (net of depreciation and amortization), including land, buildings, furniture, and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of $6,522,845, or 2.8%, from last year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	$ 58,043,401	$ 65,818,971
Buildings and improvements	162,201,607	145,449,731
Equipment	18,189,152	20,401,365
Right-to-use leased assets	97,776	225,192
Right-to-use subscription IT assets	446,480	560,312
Total	$ 238,978,416	$ 232,455,571

This year's larger capital additions included:

- Paulding Middle School Modernization
- Paulding Middle School Mixed Use Building
- Judkins Middle School New Classroom Building
- Judkins Middle School Modernization
- Grover Heights New Classroom Building
- Branch Elementary School Kindergarten Building
- Arroyo Grande High School Culinary CTE Facility
- Arroyo Grande High School Auxiliary Gym
- Arroyo Grande High School Modernization
- Fairgrove Elementary School Modernization
- Ocean View Elementary School New Classrooms

Long-Term Liabilities

At the end of this year, the District had $313,212,682 in long-term liabilities outstanding versus $321,977,694 last year, a decrease of $9,159,783, or 7.4%. The long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	$ 146,483,291	$ 148,273,036
Certificates of participation	7,730,000	8,785,000
Private placement debt issuances	5,201,675	5,614,634
Unamortized debt premiums	12,726,092	13,379,879
Unamortized debt discounts	(1,849)	(5,546)
Leases	138,466	257,604
Compensated absences	11,449,200	1,668,723
Net OPEB liability	15,445,798	20,804,572
Aggregate net pension liability	114,040,009	123,199,792
Total	$ 313,212,682	$ 321,977,694

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the District budget for 2025-2026 and the multi-year projections through 2025-2026, the following assumptions and criteria were considered:

- The 2025-2026 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.
- Sustained staffing to support learning recovery, including Intervention teachers and Instruction aides.
- Sustained FTE increases in counselors.
- Increased support to Special Education
- 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 Curt Eichperger, Assistant Superintendent, Business, at Lucia Mar Unified School District, 602 Orchard Street, Arroyo Grande, California, 93420, or e-mail at curt.eichperger@lmusd.org.

	Governmental Activities
Assets	
Deposits and investments	$ 140,370,071
Receivables	13,977,547
Prepaid expense	79,702
Stores inventories	268,393
Lease receivables	1,318,670
Capital assets not depreciated or amortized	58,043,401
Capital assets, net of accumulated depreciation and amortization	180,935,015
Total assets	394,992,799
Deferred Outflows of Resources	
Deferred charge on refunding	668,973
Deferred outflows of resources related to OPEB	3,928,034
Deferred outflows of resources related to pensions	39,426,845
Total deferred outflows of resources	44,023,852
Liabilities	
Accounts payable	12,400,839
Interest payable	2,630,507
Unearned revenue	1,033,878
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	5,107,429
OPEB liability due within one year	1,172,018
Long-term liabilities other than OPEB and pensions due in more than one year	178,619,446
Net other postemployment benefits (OPEB) liability due in more than one year	14,273,780
Aggregate net pension liability	114,040,009
Total liabilities	329,277,906
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	8,642,236
Deferred inflows of resources related to pensions	11,397,792
Deferred inflows of resources related to leases	1,158,993
Total deferred inflows of resources	21,199,021
Net Position	
Net investment in capital assets	90,136,708
Restricted for	
Debt service	8,606,460
Capital projects	5,522,027
Educational programs	20,387,471
Other activities	13,365,486
Unrestricted deficit	(49,478,428)
Total net position	$ 88,539,724

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 107,614,177	$ 102,834	$ 18,025,938	$ 1,112,131	$ (88,373,274)
Instruction-related activities					
Supervision of instruction	4,587,318	-	1,114,761	-	(3,472,557)
Instructional library, media, and technology	937,327	2,634	22,807	-	(911,886)
School site administration	12,293,121	8,451	1,827,451	-	(10,457,219)
Pupil services					
Home-to-school transportatio	3,510,271	35	41,031	-	(3,469,205)
Food services	8,850,813	-	9,141,753	-	290,940
All other pupil services	13,163,030	93,296	1,952,115	-	(11,117,619)
Administration					
Data processing	2,061,070	-	86,338	-	(1,974,732)
All other administration	7,721,211	503	1,062,042	-	(6,658,666)
Plant services	15,560,621	9,832	794,521	-	(14,756,268)
Ancillary services	3,843,398	1,152,387	804,492	-	(1,886,519)
Community services	6,247	-	-	-	(6,247)
Interest on long-term liabilities	6,236,923	-	-	-	(6,236,923)
Other outgo	1,448,022	77,904	457,158	-	(912,960)
Total governmental activities	$ 187,833,549	$ 1,447,876	$ 35,330,407	$ 1,112,131	(149,943,135)
General Revenues and Subventions					
Property taxes, levied for general purposes					94,080,386
Property taxes, levied for debt service					5,878,645
Taxes levied for other specific purposes					567,803
Federal and State aid not restricted to specific purposes					35,208,770
Interest and investment earnings					6,301,099
Interagency revenues					3,723
Miscellaneous					9,260,583
Total general revenues and subventions					151,301,009
Change in Net Position					1,357,874
Net Position - Beginning, as previously reported					95,859,921
Adjustments (Note 16)					(8,678,071)
Net Position - Beginning, as restated					87,181,850
Net Position - Ending					$ 88,539,724

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 65,553,064	$ 21,689,155	$ 25,000,329	$ 28,127,523	$ 140,370,071
Receivables	11,629,730	-	-	2,347,817	13,977,547
Prepaid expenditures	79,702	-	-	-	79,702
Stores inventories	8,147	-	-	260,246	268,393
Lease receivables	1,318,670	-	-	-	1,318,670
Total assets	$ 78,589,313	$ 21,689,155	$ 25,000,329	$ 30,735,586	$ 156,014,383
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 10,739,425	$ 1,150,650	$ 182,535	$ 328,229	$ 12,400,839
Unearned revenue	1,033,878	-	-	-	1,033,878
Total liabilities	11,773,303	1,150,650	182,535	328,229	13,434,717
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	1,158,993	-	-	-	1,158,993
Fund Balances					
Nonspendable	107,849	-	-	269,216	377,065
Restricted	20,387,471	20,538,505	-	30,124,480	71,050,456
Committed	16,718,565	-	-	13,661	16,732,226
Assigned	23,444,017	-	24,817,794	-	48,261,811
Unassigned	4,999,115	-	-	-	4,999,115
Total fund balances	65,657,017	20,538,505	24,817,794	30,407,357	141,420,673
Total liabilities and fund balances	$ 78,589,313	$ 21,689,155	$ 25,000,329	$ 30,735,586	$ 156,014,383

Total Fund Balance - Governmental Funds		$ 141,420,673
Amounts Reported for Governmental Activities in the Statement of Net Position are 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	$ 374,977,785	
Accumulated depreciation and amortization is	(135,999,369)	
Net capital assets		238,978,416
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,630,507)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	668,973	
Other postemployment benefits (OPEB)	3,928,034	
Net pension liability	39,426,845	
Total deferred outflows of resources		44,023,852
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(8,642,236)	
Net pension liability	(11,397,792)	
Total deferred inflows of resources		(20,040,028)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(114,040,009)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(15,445,798)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	$ (144,254,802)	
Certificates of participation	(7,730,000)	
Private placement debt issuances	(5,201,675)	
Unamortized debt premiums	(12,726,092)	
Unamortized debt discounts	1,849	
Leases	(138,466)	
Compensated absences	(11,449,200)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	(2,228,489)	
Total long-term liabilities		$ (183,726,875)
Total net position - governmental activities		$ 88,539,724

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	$ 126,279,297	$ -	$ -	$ -	$ 126,279,297
Federal sources	5,369,413	-	-	5,499,541	10,868,954
Other State sources	22,677,924	-	-	6,440,459	29,118,383
Other local sources	12,168,893	1,643,133	1,960,820	10,859,648	26,632,494
Total revenues	166,495,527	1,643,133	1,960,820	22,799,648	192,899,128
Expenditures					
Current					
Instruction	104,230,794	-	-	417,580	104,648,374
Instruction-related activities					
Supervision of instruction	4,597,416	-	-	379	4,597,795
Instructional library, media, and technology	895,311	-	-	107	895,418
School site administration	11,709,890	-	-	344,424	12,054,314
Pupil services					
Home-to-school transportation	3,231,189	-	-	-	3,231,189
Food services	662,737	-	-	7,854,962	8,517,699
All other pupil services	13,080,884	-	-	-	13,080,884
Administration					
Data processing	1,875,459	-	-	-	1,875,459
All other administration	6,802,374	-	-	240,278	7,042,652
Plant services	14,461,237	-	-	724,841	15,186,078
Ancillary services	1,725,984	-	-	1,946,207	3,672,191
Community services	5,950	-	-	-	5,950
Other outgo	1,448,022	-	-	-	1,448,022
Facility acquisition and construction	280,618	16,127,709	687,717	1,714,297	18,810,341
Debt service					
Principal	119,138	-	-	3,462,959	3,582,097
Interest and other	6,767	68,500	3,785	6,723,915	6,802,967
Total expenditures	165,133,770	16,196,209	691,502	23,429,949	205,451,430
Excess (Deficiency) of Revenues Over Expenditures	1,361,757	(14,553,076)	1,269,318	(630,301)	(12,552,302)
Other Financing Sources (Uses)					
Transfers in	-	-	900,787	1,830,549	2,731,336
Transfers out	(1,503,396)	-	(327,153)	(900,787)	(2,731,336)
Net Financing Sources (Uses)	(1,503,396)	-	573,634	929,762	-
Net Change in Fund Balances	(141,639)	(14,553,076)	1,842,952	299,461	(12,552,302)
Fund Balance - Beginning	65,798,656	35,091,581	22,974,842	30,107,896	153,972,975
Fund Balance - Ending	$ 65,657,017	$ 20,538,505	$ 24,817,794	$ 30,407,357	$ 141,420,673

Total Net Change in Fund Balances - Governmental Funds		$ (12,552,302)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay 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 and amortization expense in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.		
Capital outlay	$ 19,594,588	
Depreciation and amortization expense	(12,682,789)	
Net expense adjustment		6,911,799
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(205,255)
A loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(388,954)
In the Statement of Activities, certain operating expenses, such as compensated absences 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 amount is the difference between compensated absences earned and used.		(1,102,406)
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/inflows of resources and net pension liability during the year.		4,883,067
In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and net OPEB liability during the year.		(541,471)

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	$ 653,787
Discount amortization	(3,697)
Deferred charge on refunding amortization	73,817
Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	1,995,000
Certificates of participation	1,055,000
Private placement debt issuances	412,959
Leases	119,138
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	47,392
Change in net position of governmental activities	$ 1,357,874

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 TK - 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, one independent study 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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units*, 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 liabilities 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 out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into governmental funds.

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 separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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).

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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **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 1A), 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 17070.10 et seq.).

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 liabilities.

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

- **Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units 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).

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. 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 and amortization of capital assets. 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 position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position restricted for other activities results from special revenue funds and the restrictions on their 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 governmental 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.

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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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 government-wide financial statements.

Investments

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

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Stores 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 consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. 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.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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 acquisition 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. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 5 years.

Lease Receivable

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for 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, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. 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. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities 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 liabilities 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, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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, which approximates the effective interest method.

In governmental fund financial statements, bond premiums, discounts, and debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Debt 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 in the period the bonds are issued.

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 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 related to leases, for pension related items, and for 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the District Plan and the fiduciary net position of 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription Liabilities

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the District.

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. 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 one-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 deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, 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 $47,881,444 of net position restricted by enabling legislation.

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.

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 16.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	$ 140,370,071

Deposits and investments as of June 30, 2025, consisted of the following:

Cash on hand and in banks	$ 1,898,643
Cash with fiscal agent	26,425
Cash in revolving	28,969
Investments	138,416,034
Total deposits and investments	$ 140,370,071

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing primarily in the San Luis Obispo County Treasury Investment Pool to provide the cash flow and liquidity needed for operations and purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $138,416,034 with the San Luis Obispo County Treasury Investment Pool that has a weighted average maturity of 499 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Luis Obispo County Treasury Investment Pool is rated AAAf/S1 by Fitch Ratings.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the District's bank balance of $1,665,143 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Receivables

Receivables at June 30, 2025, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	$ 2,944,252	$ 1,205,520	$ 4,149,772
State Government			
LCFF apportionment	2,112,231	-	2,112,231
Categorical aid	5,202,747	1,140,535	6,343,282
Lottery	706,442	-	706,442
Local Government			
Other local sources	664,058	1,762	665,820
Total	$ 11,629,730	$ 2,347,817	$ 13,977,547

Note 4 - Capital Assets

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

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	$ 18,389,117	$ -	$ -	$ 18,389,117
Construction in progress	47,429,854	18,120,522	(25,896,092)	39,654,284
Total capital assets not being depreciated or amortized	65,818,971	18,120,522	(25,896,092)	58,043,401
Capital assets being depreciated or amortized				
Land improvements	17,881,039	8,063,468	(950,490)	24,994,017
Buildings and improvements	227,276,120	17,801,837	-	245,077,957
Furniture and equipment	44,351,332	1,174,470	(392,092)	45,133,710
Right-to-use leased furniture and equipment	567,213	-	(24,928)	542,285
Right-to-use subscription IT assets	1,035,896	330,383	(179,864)	1,186,415
Total capital assets being depreciated or amortized	291,111,600	27,370,158	(1,547,374)	316,934,384
Total capital assets	356,930,571	45,490,680	(27,443,466)	374,977,785
Accumulated depreciation and amortization				
Land improvements	(7,160,895)	(1,148,334)	561,536	(7,747,693)
Buildings and improvements	(92,546,533)	(7,576,141)	-	(100,122,674)
Furniture and equipment	(23,949,967)	(3,386,683)	392,092	(26,944,558)
Right-to-use leased furniture and equipment	(342,021)	(127,416)	24,928	(444,509)
Right-to-use subscription IT assets	(475,584)	(444,215)	179,864	(739,935)
Total accumulated depreciation and amortization	(124,475,000)	(12,682,789)	1,158,420	(135,999,369)
Net depreciable and amortizable capital assets	166,636,600	14,687,369	(388,954)	180,935,015
Governmental activities capital assets, net	$ 232,455,571	$ 32,807,891	$ (26,285,046)	$ 238,978,416

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

Governmental Activities	
Instruction	$ 7,939,503
Supervision of instruction	243,913
Instructional library, media, and technology	57,749
School site administration	773,856
Home-to-school transportation	270,226
Food services	397,618
All other pupil services	760,634
Ancillary services	222,352
Community services	297
Data processing	177,814
All other administration	848,904
Plant services	989,923
Total depreciation and amortization expense governmental activities	$ 12,682,789

Note 5 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivable is summarized below:

Lease Receivable	Outstanding July 1, 2024	Addition	Deletion	Outstanding June 30, 2025
Cellular Tower Antenna Sites	$ 1,372,973	$ -	$ (54,303)	$ 1,318,670

Cellular Tower Antenna Sites

The District licenses (leases) a portion of its facilities for cellular tower antenna sites. These licenses are non-cancelable for a period of five years, with five renewal period of five years. The District believes the licensees will exercise the renewal option with reasonable certainty. The agreements allow for 3% annual increases to the license payments. At termination, lessees must remove all equipment and restore the site to its original state. During the year ended June 30, 2025, the District recognized $54,303 in lease revenue and $88,729 in interest revenue related to these agreements. At June 30, 2025, the District recorded $1,318,670 in lease receivables and $1,158,993 in deferred inflows of resources for these arrangements. The District used an interest rate of between 2.59% and 3.55%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the following:

The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay Projects for reimbursement of construction costs.	$ 900,787
The General Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service.	1,103,396
The Special Reserve Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service.	327,153
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for on-going maintenance.	400,000
Total	$ 2,731,336

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	$ 1,185,540	$ -	$ -	$ 23,857	$ 1,209,397
Salaries and benefits	9,526,703	-	-	68,515	9,595,218
Construction	3,000	1,150,650	182,535	235,570	1,571,755
Due to CDE	24,182	-	-	287	24,469
Total	$ 10,739,425	$ 1,150,650	$ 182,535	$ 328,229	$ 12,400,839

Note 8 - Unearned Revenue

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

	General Fund
Federal financial assistance	$ 125,599
State categorical aid	908,279
Total	$ 1,033,878

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 148,273,036	$ 205,255	$ (1,995,000)	$ 146,483,291	$ 435,000
Certificates of participation	8,785,000	-	(1,055,000)	7,730,000	1,150,000
Private placement debt issuances	5,614,634	-	(412,959)	5,201,675	428,071
Unamortized debt premiums	13,379,879	-	(653,787)	12,726,092	-
Unamortized debt discounts	(5,546)	-	3,697	(1,849)	-
Leases	257,604	-	(119,138)	138,466	80,972
Compensated absences	10,346,794	1,102,406	-	11,449,200	3,013,386
Total	$ 186,651,401	$ 1,307,661	$ (4,232,187)	$ 183,726,875	$ 5,107,429

The change in compensated absences is presented as a net change.

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 leases are made in the General Fund.

Payments on the notes from direct borrowings and direct placements are made in the Capital Facilities Fund. The outstanding notes from direct borrowings and direct placements of $4,000,000 contain a provision that in an event of default, any installment payments not paid when due shall bear an interest rate the lessor selects allowed by law, from the date the installment was due.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2025
6/17/04	2029	3.00% - 8.00%	$ 21,349,802	$ 2,583,036	$ 205,255	$ -	$ 2,788,291
3/30/17	2047	4.00% - 5.00%	35,000,000	24,320,000	-	-	24,320,000
6/7/18	2048	3.38% - 5.00%	50,000,000	42,580,000	-	(205,000)	42,375,000
6/11/20	2050	3.00% - 4.00%	40,000,000	35,585,000	-	(80,000)	35,505,000
7/28/22	2050	4.00% - 5.25%	45,000,000	43,205,000	-	(1,710,000)	41,495,000
				$ 148,273,036	$ 205,255	$ (1,995,000)	$ 146,483,291

Debt Service Requirements to Maturity

The capital appreciation bonds mature through 2029 as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2026	$ -	$ -	$ -	$ -	$ -
2027	-	-	-	-	-
2028	162,298	625,025	787,323	162,677	950,000
2029	397,504	1,603,464	2,000,968	624,032	2,625,000
Total	$ 559,802	$ 2,228,489	$ 2,788,291	$ 786,709	$ 3,575,000

The current interest bonds mature through 2050 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 435,000	$ 6,091,856	$ 6,526,856
2027	655,000	6,066,956	6,721,956
2028	880,000	6,030,531	6,910,531
2029	1,245,000	5,979,581	7,224,581
2030	1,560,000	5,912,206	7,472,206
2031-20345	13,370,000	28,014,809	41,384,809
2036-2040	25,165,000	23,810,963	48,975,963
2041-2045	41,265,000	16,637,975	57,902,975
2046-2050	59,120,000	6,060,688	65,180,688
Total	$ 143,695,000	$ 104,605,565	$ 248,300,565

Certificates of Participation

The outstanding certificates of participation are as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Redeemed	Bonds Outstanding June 30, 2025
4/7/11	2026	5.75% - 7.13%	$ 2,445,000	$ 575,000	$ -	$ (280,000)	$ 295,000
4/14/21	2032	4.00%	10,090,000	8,210,000	-	(775,000)	7,435,000
				$ 8,785,000	$ -	$ (1,055,000)	$ 7,730,000

The certificates of participation mature through 2032 as follows:

Year Ending June 30,	Principal	Current Interest	Total
2026	$ 1,150,000	$ 405,739	$ 1,555,739
2027	935,000	263,200	1,198,200
2028	1,025,000	225,800	1,250,800
2029	1,120,000	184,800	1,304,800
2030	1,190,000	140,000	1,330,000
2031-2032	2,310,000	134,600	2,444,600
Total	$ 7,730,000	$ 1,354,139	$ 9,084,139

Private Placement Debt Issuances

Finance Purchase Agreement

On March 5, 2020 the District entered into a finance purchase agreement of $2,213,803 to purchase the Mesa View Community School. The agreement bears an interest of 1.01% and are scheduled to mature on June 30, 2034.	$	1,201,675
2019 Notes from Direct Borrowings and Direct Placements		
In June 2019, the District entered into a refinancing agreement in the amount $5,120,000 with the Lucia Mar Unified School District Financing Corporation to refinance the acquisition 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 agreement matures on May 1, 2033, with an interest rate of 2.85%.		4,000,000
Total	$	5,201,675

Debt Service Requirements to Maturity

Year Ending June 30,		Principal		Current Interest		Total
2026	$	428,071	$	115,011	$	543,082
2027		753,183		106,492		859,675
2028		783,295		88,710		872,005
2029		818,407		70,073		888,480
2030		843,519		50,438		893,957
2031-2034		1,575,200		50,291		1,625,491
Total	$	5,201,675	$	481,015	$	5,682,690

Leases

The District has entered into agreements to lease various equipment. The District's liability on lease agreements is summarized below:

Leases		Leases Outstanding July 1, 2024		Addition		Payments		Leases Outstanding June 30, 2025
Canon Copier Leases	$	253,953	$	-	$	(115,487)	$	138,466
Postage Meter Lease		3,651		-		(3,651)		-
Total	$	257,604	$	-	$	(119,138)	$	138,466

Canon Copier Lease

The District entered into agreements to lease copiers for 3 to 5 years, beginning November 30, 2017. Under the terms of the lease, the District paid monthly payments of $3,947 and annual payments of $76,016, which amounted to total principal and interest costs of $119,824. At June 30, 2025, the District has recognized a right-to-use leased asset of $97,776 and a lease liability of $138,466 related to these agreement. During the fiscal year, the District recorded $124,924 in amortization expense and $4,347 in interest expense for the right-to-use the copiers. The annual interest rate charged on the leases are between 1.63% to 2.18%.

Postage Meter Lease

The District entered an agreement to lease a postage meter for five years, beginning November 19, 2019. Under the terms of the lease, the District paid quarterly payments of $1,840, which amounted to total principal and interest costs of $3,680. At June 30, 2025, the right-to-use leased asset has been fully amortized and the lease liability has been fully paid off related to this agreement. During the fiscal year, the District recorded $2,492 in amortization expense and $10 in interest expense for the right-to-use the postage meter. The annual interest rate charged on the lease is 2.04%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 80,972	$ 3,524	$ 84,496
2027	45,741	1,552	47,293
2028	11,753	70	11,823
Total	$ 138,466	$ 5,146	$ 143,612

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported net OPEB liability, deferred outflows of resources, 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	$ 15,068,114	$ 3,928,034	$ 8,642,236	$ 580,584
Medicare Premium Payment (MPP) Program	377,684	-	-	(39,113)
Total	$ 15,445,798	$ 3,928,034	$ 8,642,236	$ 541,471

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 June 30, 2025, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	85
Active employees	934
Total	1,019

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.

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 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 the measurement period of June 30, 2025, the District paid $1,187,123 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $15,068,114 was measured as of June 30, 2025, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	5.20%
Healthcare cost trend rates	4.00% for 2025

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2020 CalSTRS mortality tables for certificated participants and 2021 CalPERS mortality for miscellaneous and school employees tables for classified participants. 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 June 30, 2025 valuation were based on the results of an actual experience study for the period July 1, 2024 to June 30, 2025.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2024	$ 20,387,775
Service cost	1,394,005
Interest	805,305
Differences between expected and actual experience	(5,093,962)
Changes of assumptions	(1,237,886)
Benefit payments	(1,187,123)
Net change in total OPEB liability	(5,319,661)
Balance, June 30, 2025	$ 15,068,114

Changes in assumptions reflect a change in discount rate from 3.93% in 2024 to 5.20% in 2025. There were no changes in benefit terms since the previous valuation.

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	Total OPEB Liability
1% decrease (4.20%)	$ 16,035,282
Current discount rate (5.20%)	15,068,114
1% increase (6.20%)	14,159,809

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 rate:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.00%)	$ 14,404,755
Current healthcare cost trend rate (4.00%)	15,068,114
1% increase (5.00%)	15,848,857

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

For the year ended June 30, 2025, the District recognized OPEB expense of $580,584. At June 30, 2025, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,652,312	$ 5,046,551
Changes of assumptions	275,722	3,595,685
Total	$ 3,928,034	$ 8,642,236

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (431,599)
2027	(399,209)
2028	(357,066)
2029	(357,064)
2030	(357,064)
Thereafter	(2,812,200)
Total	$ (4,714,202)

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, 2023 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: https://www.calstrs.com/forms-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, contributions 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, 2025, the District reported a liability of $377,684 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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, 2024 and June 30, 2023, was 0.1417%, and 0.1374%, respectively, resulting in a net increase in the proportionate share of 0.0043%.

For the year ended June 30, 2025, the District recognized OPEB expense of $(39,113).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 154 or an average of 0.12% of the potentially eligible population (132,333).

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

Discount Rate

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

Sensitivity of the 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 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 (2.93%)	$ 407,511
Current discount rate (3.93%)	377,684
1% increase (4.93%)	351,455

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 Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	$ 349,883
Current Medicare costs trend rate (5.00% Part A and 6.50% Part B)	377,684
1% increase (6.00% Part A and 7.50% Part B)	408,721

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,000	$ -	$ -	$ 8,969	$ 28,969
Stores inventories	8,147	-	-	260,247	268,394
Prepaid expenditures	79,702	-	-	-	79,702
Total nonspendable	107,849	-		269,216	377,065
Restricted					
Legally restricted programs	20,387,471	-	-	237,586	20,625,057
Capital projects	-	20,538,505	-	5,522,027	26,060,532
Food services	-	-	-	11,935,906	11,935,906
Student activities	-	-	-	1,191,994	1,191,994
Debt services	-	-	-	11,236,967	11,236,967
Total restricted	20,387,471	20,538,505	-	30,124,480	71,050,456
Committed					
Deferred maintenance program	-	-	-	13,661	13,661
LCAP supplemental	2,794,135	-	-	-	2,794,135
LCAP concentration	5,653,428	-	-	-	5,653,428
Special education	8,271,002	-	-	-	8,271,002
Total committed	16,718,565	-	-	13,661	16,732,226
Assigned					
Technology refresh	432	-	-	-	432
Furniture refresh	44,442	-	-	-	44,442
One-time funds carryover	150,799	-	-	-	150,799
Dual enrollment	14,270	-	-	-	14,270
Career and technical education	35,702	-	-	-	35,702
TK Instructional Aides	1,016,664	-	-	-	1,016,664
Site library funding	2,589	-	-	-	2,589
FMV adjustment	1,400,533	-	-	-	1,400,533
Site carry over	207,759	-	-	-	207,759
Athletics	10,470	-	-	-	10,470
Education protection account	380,138	-	-	-	380,138
Lottery	1,245,314	-	-	-	1,245,314
Economic uncertainties	18,934,905	-	-	-	18,934,905
Capital outlay	-	-	24,817,794	-	24,817,794
Total assigned	23,444,017	-	24,817,794	-	48,261,811
Unassigned					
Reserve for economic uncertainties	4,999,115	-	-	-	4,999,115
Total	$ 65,657,017	$ 20,538,505	$ 24,817,794	$ 30,407,357	$ 141,420,673

Note 12 - 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, 2025, 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 2025, 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 medical 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 13 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 65,235,748	$ 23,686,782	$ 9,404,437	$ 6,235,123
CalPERS	48,804,261	15,740,063	1,993,355	8,688,317
Total	$ 114,040,009	$ 39,426,845	$ 11,397,792	$ 14,923,440

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/forms-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% 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, 2025, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were $12,091,251.

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

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

Proportionate share of net pension liability	$ 65,235,748
State's proportionate share of the net pension liability	29,930,385
Total	$ 95,166,133

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, was 0.0971% and 0.0929%, respectively, resulting in a net increase in the proportionate share of 0.0042%.

For the year ended June 30, 2025, the District recognized pension expense of $6,235,123. In addition, the District recognized pension expense and revenue of $2,724,812 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,091,251	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,930,964	1,833,116
Differences between projected and actual earnings on pension plan investments	-	263,224
Differences between expected and actual experience in the measurement of the total pension liability	7,379,003	2,852,722
Changes of assumptions	285,564	4,455,375
Total	$ 23,686,782	$ 9,404,437

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
2026	$ (4,373,220)
2027	5,266,981
2028	(429,722)
2029	(727,263)
Total	$ (263,224)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (195,964)
2027	102,822
2028	146,486
2029	1,175,017
2030	1,101,093
Thereafter	124,864
Total	$ 2,454,318

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, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
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 is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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 of 7.10% and assume 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%)	$ 116,033,049
Current discount rate (7.10%)	65,235,748
1% increase (8.10%)	22,817,894

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS 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, 2025, 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%	8.00%
Required employer contribution rate	27.05%	27.05%

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 July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were $7,715,256.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $48,804,261. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, was 0.1366% and 0.1450%, respectively, resulting in a net decrease in the proportionate share of 0.0084%.

For the year ended June 30, 2025, the District recognized pension expense of $8,688,317. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,715,256	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	958,780	1,644,065
Differences between projected and actual earnings on pension plan investments	1,895,764	-
Differences between expected and actual experience in the measurement of the total pension liability	4,091,524	349,290
Changes of assumptions	1,078,739	-
Total	$ 15,740,063	$ 1,993,355

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
2026	$ (16,342)
2027	2,947,481
2028	(435,528)
2029	(599,847)
Total	$ 1,895,764

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 2,470,727
2027	1,262,296
2028	402,665
Total	$ 4,135,688

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, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments 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 (5.90%)	$ 72,499,138
Current discount rate (6.90%)	48,804,261
1% increase (7.90%)	29,230,408

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 $6,043,563 (10.828% 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.

Note 14 - 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, 2025.

Litigation

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

Construction Commitments

As of June 30, 2025, the District had committed under various capital expenditure purchase agreements for projects totaling approximately $18.4 million to be funded through general obligation bonds and capital project apportionments from California Department of General Services.

Note 15 - 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, 2025, the District made payments of $1,247,394, $1,516,093, and $14,588,888 to SIPE, SISC II, and SISC III, respectively, for workers' compensation, property liability, and health coverage for active employees.

Note 16 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by $2,109,158 and $6,568,913, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	Government-Wide
	Governmental Activities
Beginning, as previously reported on July 1, 2024	$ 95,859,921
Change in accounting principle	(8,678,071)
Beginning, as Restated on July 1, 2024	$ 87,181,850

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Required Supplementary Information
June 30, 2025

Lucia Mar Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula (LCFF)	$ 125,911,068	$ 125,644,784	$ 126,279,297	$ 634,513
Federal sources	4,872,743	6,165,090	5,369,413	(795,677)
Other State sources	17,369,320	21,045,841	22,677,924	1,632,083
Other local sources	7,092,138	10,308,353	12,168,893	1,860,540
Total revenues	155,245,269	163,164,068	166,495,527	3,331,459
Expenditures				
Current				
Certificated salaries	66,963,214	67,998,686	66,264,356	1,734,330
Classified salaries	26,528,279	27,340,161	26,406,186	933,975
Employee benefits	41,192,153	40,097,419	39,383,984	713,435
Books and supplies	10,279,821	12,583,227	10,251,130	2,332,097
Services and operating expenditures	18,148,242	22,746,791	20,391,692	2,355,099
Other outgo	1,512,956	1,495,944	1,081,836	414,108
Capital outlay	114,395	2,066,232	1,228,681	837,551
Debt service				
Debt service - principal	775,000	775,000	119,138	655,862
Debt service - interest and other	328,400	328,400	6,767	321,633
Total expenditures	165,842,460	175,431,860	165,133,770	10,298,090
Excess (Deficiency) of Revenues Over Expenditures	(10,597,191)	(12,267,792)	1,361,757	13,629,549
Other Financing Uses				
Transfers out	-	-	(1,503,396)	(1,503,396)
Net Change in Fund Balances	(10,597,191)	(12,267,792)	(141,639)	12,126,153
Fund Balance - Beginning	65,798,656	65,798,656	65,798,656	-
Fund Balance - Ending	$ 55,201,465	$ 53,530,864	$ 65,657,017	$ 12,126,153

	2025	2024	2023	2022	2021
Total OPEB Liability					
Service cost	$ 1,394,005	$ 1,416,932	$ 1,146,479	$ 1,369,199	$ 971,601
Interest	805,305	728,622	606,797	400,364	369,462
Difference between expected and actual experience	(5,093,962)	-	2,847,858	-	2,433,763
Changes of assumptions	(1,237,886)	(430,168)	(661,119)	(1,651,996)	(714,465)
Benefit payments	(1,187,123)	(1,162,807)	(1,345,471)	(1,455,351)	(1,579,707)
Net change in total OPEB liability	(5,319,661)	552,579	2,594,544	(1,337,784)	1,480,654
Total OPEB Liability - Beginning	20,387,775	19,835,196	17,240,652	18,578,436	17,097,782
Total OPEB Liability - Ending	$ 15,068,114	$ 20,387,775	$ 19,835,196	$ 17,240,652	$ 18,578,436
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 943,301	$ 948,835	$ 982,922
Interest	442,878	611,646	558,637
Difference between expected and actual experience	(1,389,874)	-	(359,500)
Changes of assumptions	788,277	397,841	(44,937)
Benefit payments	(1,483,269)	(2,097,641)	(2,082,252)
Net change in total OPEB liability	(698,687)	(139,319)	(945,130)
Total OPEB Liability - Beginning	17,796,469	17,935,788	18,880,918
Total OPEB Liability - Ending	$ 17,097,782	$ 17,796,469	$ 17,935,788
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

[1] The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

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

Year ended June 30,	2025	2024	2023	2022	2021
Proportion of the net OPEB liability	0.1417%	0.1374%	0.1405%	0.1344%	0.1628%
Proportionate share of the net OPEB liability	$ 377,684	$ 416,797	$ 462,697	$ 536,133	$ 681,284
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1608%	0.1662%	1.6470%
Proportionate share of the net OPEB liability	$ 606,399	$ 636,137	$ 693,041
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0971%	0.0929%	0.0936%	0.0894%	0.0923%
Proportionate share of the net pension liability	$ 65,235,748	$ 70,726,662	$ 65,033,066	$ 40,693,938	$ 89,409,759
State's proportionate share of the net pension liability	29,930,385	33,887,133	32,568,305	20,475,611	46,090,741
Total	$ 95,166,133	$ 104,613,795	$ 97,601,371	$ 61,169,549	$ 135,500,500
Covered payroll	$ 63,697,361	$ 58,946,037	$ 54,270,290	$ 47,924,625	$ 49,562,146
Proportionate share of the net pension liability as a percentage of its covered payroll	102.42%	119.99%	119.83%	84.91%	180.40%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0920%	0.0926%	0.0910%	0.0920%	0.0953%
Proportionate share of the net pension liability	$ 83,135,466	$ 85,098,739	$ 84,148,272	$ 74,446,154	$ 64,171,675
State's proportionate share of the net pension liability	45,355,947	48,723,008	49,781,407	52,380,868	33,939,742
Total	$ 128,491,413	$ 133,821,747	$ 133,929,679	$ 126,827,022	$ 98,111,417
Covered payroll	$ 50,354,736	$ 49,741,601	$ 48,743,267	$ 45,792,675	$ 44,399,809
Proportionate share of the net pension liability as a percentage of its covered payroll	165.10%	171.08%	172.64%	162.57%	144.53%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1366%	0.1450%	0.1397%	0.1357%	0.1333%
Proportionate share of the net pension liability	$ 48,804,261	$ 52,473,130	$ 48,067,150	$ 27,590,661	$ 40,915,723
Covered payroll	$ 28,060,675	$ 24,867,379	$ 21,413,169	$ 19,367,527	$ 19,198,144
Proportionate share of the net pension liability as a percentage of its covered payroll	173.92%	211.01%	224.47%	142.46%	213.12%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1307%	0.1318%	0.1281%	0.1274%	0.1270%
Proportionate share of the net pension liability	$ 38,103,424	$ 35,133,553	$ 30,588,667	$ 25,163,543	$ 18,722,036
Covered payroll	$ 18,149,103	$ 17,354,517	$ 16,309,944	$ 10,586,883	$ 14,074,573
Proportionate share of the net pension liability as a percentage of its covered payroll	209.95%	202.45%	187.55%	237.69%	133.02%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	$ 12,091,251	$ 12,166,196	$ 11,258,693	$ 9,182,533	$ 7,739,827
Less contributions in relation to the contractually required contribution	12,091,251	12,166,196	11,258,693	9,182,533	7,739,827
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 63,304,979	$ 63,697,361	$ 58,946,037	$ 54,270,290	$ 47,924,625
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 8,475,127	$ 8,197,751	$ 7,177,713	$ 6,131,903	$ 4,913,554
Less contributions in relation to the contractually required contribution	8,475,127	8,197,751	7,177,713	6,131,903	4,913,554
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 49,562,146	$ 50,354,736	$ 49,741,601	$ 48,743,267	$ 45,792,675
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	$ 7,715,256	$ 7,486,588	$ 6,308,854	$ 4,905,757	$ 4,009,078
Less contributions in relation to the contractually required contribution	7,715,256	7,486,588	6,308,854	4,905,757	4,009,078
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 28,522,203	$ 28,060,675	$ 24,867,379	$ 21,413,169	$ 19,367,527
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 3,786,066	$ 3,278,091	$ 2,695,330	$ 2,265,125	$ 1,254,228
Less contributions in relation to the contractually required contribution	3,786,066	3,278,091	2,695,330	2,265,125	1,254,228
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 19,198,144	$ 18,149,103	$ 17,354,517	$ 16,309,944	$ 10,586,883
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

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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.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total 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 discount rate changed from 3.93% to 5.20% since the previous valuation.

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 plan 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 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% 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.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's 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.

Supplementary Information
June 30, 2025

Lucia Mar Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through San Luis Obispo Special Education Local Plan Area			
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	$ 2,125,607
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	47,448
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	117,834
Subtotal			2,290,889
Preschool Grants, Part B, Sec 619	84.173	13430	58,131
Preschool Grants, Part B, Sec 619, Private School ISPs	84.173A	10116	455
Subtotal			58,586
Subtotal Special Education Cluster (IDEA)			2,349,475
Passed through California Department of Education (CDE)			
Adult Secondary Education	84.002	13978	76,915
Adult Basic Education and English Language Acquisition	84.002A	14508	21,608
Subtotal			98,523
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	1,843,319
School Improvement Funding for LEAs	84.010	15438	174,382
Subtotal			2,017,701
Title III, English Learner Student Program	84.365	14346	163,812
Title III, Immigrant Education Program	84.365	15146	3,775
Subtotal			167,587
Title I, Part C, Migrant Ed	84.011	14326	72,058
Title II, Part A, Supporting Effective Instruction	84.367	14341	416,434
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	183,719
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	87,358
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Section 131	84.048	14894	72,529
Total U.S. Department of Education			5,465,384

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Nutrition Cluster			
School Lunch - Section 4	10.555	13523	$ 472,442
School Lunch - Section 11	10.555	13524	2,074,829
Supply Chain Assistance (SCA) Funds	10.555	15655	572,408
Commodities	10.555	13524	489,184
Subtotal			3,608,863
School Breakfast Basic	10.553	13525	236,068
School Breakfast Needy	10.553	13526	1,473,935
Subtotal			1,710,003
Subtotal Child Nutrition Cluster			5,318,866
Passed through California Department of Social Services			
Centers and Family Day Care Homes	10.558	13529	614,758
Cash in Lieu of Commodities	10.558	13534	41,625
Subtotal			656,383
Passed through San Luis Obispo County Office of Education			
Forest Service Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	2,551
Subtotal Forest Service Schools and Roads Cluster			2,551
Total U.S. Department of Agriculture			5,977,800
Total Federal Financial Assistance			$ 11,443,184

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,643.36	2,652.37
Fourth through sixth	1,938.21	1,945.28
Seventh and eighth	1,375.69	1,376.61
Ninth through twelfth	3,080.04	3,058.81
Total Regular ADA	9,037.30	9,033.07
Extended Year Special Education		
Transitional kindergarten through third	6.30	6.30
Fourth through sixth	5.14	5.14
Seventh and eighth	3.11	3.11
Ninth through twelfth	2.52	2.52
Total Extended Year Special Education	17.07	17.07
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.27	1.47
Total ADA	9,055.64	9,051.61

					Traditional Calendar			Multitrack Calendar			
Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	36,000	43,140	-	43,140	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		53,220	-	53,220	180	-	180	-	-	-	Complied
Grade 2		53,220	-	53,220	180	-	180	-	-	-	Complied
Grade 3		53,240	-	53,240	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		54,538	-	54,538	180	-	180	-	-	-	Complied
Grade 5		54,538	-	54,538	180	-	180	-	-	-	Complied
Grade 6		54,538	-	54,538	180	-	180	-	-	-	Complied
Grade 7		56,680	-	56,680	180	-	180	-	-	-	Complied
Grade 8		56,680	-	56,680	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		65,574	-	65,574	180	-	180	-	-	-	Complied
Grade 10		65,574	-	65,574	180	-	180	-	-	-	Complied
Grade 11		65,574	-	65,574	180	-	180	-	-	-	Complied
Grade 12		65,574	-	65,574	180	-	180	-	-	-	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

	(Budget) 2026 [1]	2025	2024 [1]	2023 [1]
General Fund				
Revenues	$ 166,920,532	$ 166,495,527	$ 167,793,086	$ 175,693,416
Other sources	-	-	56,272	896,643
Total revenues and other sources	166,920,532	166,495,527	167,849,358	176,590,059
Expenditures	172,798,940	165,133,770	164,402,176	149,628,668
Other uses and transfers out	-	1,503,396	1,356,395	1,002,824
Total expenditures and other uses	172,798,940	166,637,166	165,758,571	150,631,492
Increase/(Decrease) in Fund Balance	(5,878,408)	(141,639)	2,090,787	25,958,567
Ending Fund Balance	$ 59,778,609	$ 65,657,017	$ 65,798,656	$ 63,707,869
Available Reserves [2]	$ 5,183,969	$ 4,999,115	$ 4,972,758	$ 4,518,945
Available Reserves as a Percentage of Total Outgo	3.00%	3.00%	3.00%	3.00%
Long-Term Liabilities [3]	N/A	$ 313,212,682	$ 321,977,694	$ 317,458,264
K-12 Average Daily Attendance at P-2	8,896	9,056	9,093	8,897

The General Fund balance has increased by $1,949,148 over the past two years. The fiscal year 2025-2026 budget projects a decrease of $5,878,408 (9.0%). For a district this size, the State recommends available reserves of at least 3% 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 2025-2026 fiscal year. Total long-term liabilities have decreased by $4,245,579 over the past two years.

Average daily attendance has increased by 159 over the past two years. A decline of 160 ADA is anticipated during fiscal year 2025-2026.

[1] Financial information for 2026, 2024, and 2023 are 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] Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 16 for further information.

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets									
Deposits and investments	$ 1,200,964	$ 251,390	$ 9,661,622	$ 13,661	$ 2,747,191	$ 3,015,728	$ 11,210,542	$ 26,425	$ 28,127,523
Receivables	-	24,632	2,323,185	-	-	-	-	-	2,347,817
Stores inventories	4,306	-	255,940	-	-	-	-	-	260,246
Total assets	$ 1,205,270	$ 276,022	$ 12,240,747	$ 13,661	$ 2,747,191	$ 3,015,728	$ 11,210,542	$ 26,425	$ 30,735,586
Liabilities and Fund Balances									
Liabilities									
Accounts payable	$ -	$ 38,436	$ 48,901	$ -	$ 240,892	$ -	$ -	$ -	$ 328,229
Fund Balances									
Nonspendable	13,276	-	255,940	-	-	-	-	-	269,216
Restricted	1,191,994	237,586	11,935,906	-	2,506,299	3,015,728	11,210,542	26,425	30,124,480
Committed	-	-	-	13,661	-	-	-	-	13,661
Total fund balances	1,205,270	237,586	12,191,846	13,661	2,506,299	3,015,728	11,210,542	26,425	30,407,357
Total liabilities and fund balances	$ 1,205,270	$ 276,022	$ 12,240,747	$ 13,661	$ 2,747,191	$ 3,015,728	$ 11,210,542	$ 26,425	$ 30,735,586

Lucia Mar Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2025

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues									
Federal sources	$ -	$ 98,523	$ 5,401,018	$ -	$ -	$ -	$ -	$ -	$ 5,499,541
Other State sources	-	601,376	4,697,512	-	-	1,112,131	29,440	-	6,440,459
Other local sources	1,929,500	103,654	511,582	1,888	1,617,449	164,369	6,460,442	70,764	10,859,648
Total revenues	1,929,500	803,553	10,610,112	1,888	1,617,449	1,276,500	6,489,882	70,764	22,799,648
Expenditures									
Current									
Instruction	-	417,580	-	-	-	-	-	-	417,580
Instruction-related activities									
Supervision of instruction	-	379	-	-	-	-	-	-	379
Instructional library, media,	-	107	-	-	-	-	-	-	107
School site administration	-	344,424	-	-	-	-	-	-	344,424
Pupil services									
Food services	-	-	7,854,962	-	-	-	-	-	7,854,962
Administration									
All other administration	-	29,278	211,000	-	-	-	-	-	240,278
Plant services	-	-	239,887	437,738	47,216	-	-	-	724,841
Ancillary services	1,946,207	-	-	-	-	-	-	-	1,946,207
Facility acquisition and construction	-	-	-	-	1,714,297	-	-	-	1,714,297
Debt service									
Principal	-	-	-	-	412,959	-	1,995,000	1,055,000	3,462,959
Interest and other	-	-	-	-	122,911	-	6,154,416	446,588	6,723,915
Total expenditures	1,946,207	791,768	8,305,849	437,738	2,297,383	-	8,149,416	1,501,588	23,429,949

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	$ (16,707)	$ 11,785	$ 2,304,263	$ (435,850)	$ (679,934)	$ 1,276,500	(1,659,534)	$ (1,430,824)	$ (630,301)
Other Financing Sources (Uses)									
Transfers in	-	-	-	400,000	-	-	-	1,430,549	1,830,549
Transfers out	-	-	-	-	-	(900,787)	-	-	(900,787)
Net Financing Sources (Uses)	-	-	-	400,000	-	(900,787)	-	1,430,549	929,762
Net Change in Fund Balances	(16,707)	11,785	2,304,263	(35,850)	(679,934)	375,713	(1,659,534)	(275)	299,461
Fund Balance - Beginning	1,221,977	225,801	9,887,583	49,511	3,186,233	2,640,015	12,870,076	26,700	30,107,896
Fund Balance - Ending	$ 1,205,270	$ 237,586	$ 12,191,846	$ 13,661	$ 2,506,299	$ 3,015,728	$ 11,210,542	$ 26,425	$ 30,407,357

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Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Lucia Mar Unified School District (the District) under programs of the federal government for the year ended June 30, 2025. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District had no food commodities in inventory.

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. 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 46207.

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

This schedule 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 Balances.

Other Information
June 30, 2025

Lucia Mar Unified School District

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, one independent study school, and one adult education program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Colleen Martin	President	2026
Don Stewart	Vice President	2028
Donna Kandel	Clerk	2026
Dee Santos	Member	2028
Andrea Naemi-Vergne	Member	2026
Mike Fuller	Member	2028
Eilene Pham	Member	2026

ADMINISTRATION

NAME	TITLE
Paul Fawcett, Ed.D	Superintendent
Curt Eichperger, Ed.D	Assistant Superintendent, Business
Jennifer Handy, Ed.D	Assistant Superintendent, Human Resources
Hillery Dixon	Assistant Superintendent, Curriculum

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Independent Auditor's Reports
June 30, 2025

Lucia Mar Unified School District

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*

To the Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

We have audited, 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 (*Government Auditing Standards)*, 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2025.

Adoption of New Accounting Standard

As discussed in Note 16 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 9, 2025

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2025

Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on Compliance

Opinion on State Compliance

We have audited Lucia Mar Unified School District's (the District) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	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	Not Applicable
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Not Applicable
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Not Applicable
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Lucia Mar Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Special Education Cluster	84.027, 84.027A, 84.173, 84.173A
Title I, Part A, Basic Grants Low Income and Neglected	84.010
School Improvement Funding for LEAs	84.010

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Other matters to be reported	No
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2024-001 30000 – Misstatement to the Financial Statements (Significant Deficiency)

Criteria

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting under the requirements of the Governmental Accounting Standards Board (GASB). Additionally, this includes posting of all material adjustments necessary to accurately reflect the activity of the District throughout the year. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

Communicating Internal Control Related Matters Identified in an Audit provides for a definition of a material weakness and a significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain accrual closing entries, government–wide reporting conversion entries and footnotes. The auditor noted uncorrected misstatements in the District's governmental activities beginning net position which resulted in an understatement of beginning net position by $1,025,063 and understatement of capital assets, net of accumulated depreciation, by $1,025,063.

Context

The conditions were identified as a result of our audit. During our review of available District records and audit procedures performed, the financial statements were misstated.

Cause

The cause of the condition identified appears to be due to clerical errors during the preparation of the capital assets schedule.

Effect

Due to the condition identified, the governmental activities beginning net position was understated by $1,025,063.

Repeat Finding

No

Recommendation

Management should review the capital assets schedule, including the calculation of depreciation, to ensure that balances have been correctly reported.

Current Status

Implemented.

Federal Awards Findings

None reported.

State Compliance Findings

None reported.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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 $__________ of the District's Election of 2024 General Obligation Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Education of the District adopted on February 10, 2026 (the "Resolution"). 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 Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices, 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" shall mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) 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 the registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement, dated ________, 2026, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, or any of the original underwriters of the Bonds required to comply with the Rule in connection with 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 2025-26 fiscal year, which would be due on April 1, 2027, 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(d).

(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, in a timely manner, send a 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. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(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 and lease obligations;

(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 District's outstanding general obligation 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, as prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 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 Bondowners.

(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(b), 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 attorneys 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: _______________, 2026

LUCIA MAR UNIFIED SCHOOL DISTRICT

By: ____

Authorized Officer

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 2024 General Obligation Bonds, Series A

Date of Issuance: _________________, 2026

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]_____

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC PROFILE OF THE CITIES OF ARROYO GRANDE, PISMO BEACH AND GROVER BEACH AND SAN LUIS OBISPO COUNTY

The following information regarding the Cities of Arroyo Grande ("Arroyo Grande"), Pismo Beach ("Pismo Beach"), and Grover Beach ("Grover Beach," and, together with Arroyo Grande and Pismo Beach, the "Cities") 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 Cities 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 Arroyo Grande 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.

City of Pismo Beach. Located on California's Central Coast, Pismo Beach is known for its wineries and many beaches. The Monarch Butterfly Grove shelters monarch butterflies that migrate to Pismo State Beach in the cooler months. The City of Pismo Beach is a general law city, governed by a City Council/City Manager form of government. The City Council is comprised of 5 members, selected through a municipal election to serve a 4 year term, the Mayor serves a 2 year term. Each member must be a registered voter in the city. Each member represents the interests of the city as a whole.

City of Grover Beach. The City of Grover Beach is a beach community on California's Central Coast and is the location of the Pacific Crossing 1 (PC-1) cable landing station, where trans-pacific submarine communications cables come ashore and connect to the North American telecommunication network. Grover Beach is a general law city governed by a Council-Manager form of government where the City Council is the policy making body and the City Manager is responsible for carrying out Council policy. The City Manager, appointed by the City Council, is the administrative head of the government, including being empowered to appoint all city department heads with the exception of the City Attorney.

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.

Population

The following table shows historical population figures for the Cities, the County and the State for the past 10 years of data that is currently available.

POPULATION ESTIMATES
Cities of Arroyo Grande, Pismo Beach, Grover Beach,
San Luis Obispo County and State of California
2016-2025

Year	City of Arroyo Grande	City of Pismo Beach	City of Grover Beach	San Luis Obispo County	State of California
2016	18,259	8,170	13,215	281,046	39,036,749
2017	18,307	8,238	13,192	282,284	39,273,915
2018	18,390	8,216	13,096	282,754	39,429,439
2019	18,425	8,169	12,950	282,935	39,503,656
2020	18,347	8,054	12,789	282,424	39,538,223
2021	18,438	8,044	12,822	279,100	39,369,530
2022	18,177	7,911	12,575	280,111	39,179,680
2023	18,065	7,862	12,487	280,206	39,228,444
2024	18,025	7,858	12,455	279,568	39,420,663
2025	17,910	7,804	12,411	279,337	39,529,101

Source: 2016-20 (2010 Demographic Research Unit Benchmark): California Department of Finance for May 2021. 2021-25 (2020 Demographic Research Unit Benchmark): California Department of Finance for January 1.

Income

The following table shows per capita personal income for the County, the State, and the United States for the past 10 years of data currently available.

PER CAPITA PERSONAL INCOME
San Luis Obispo County, State of California and the United States
2015 through 2024

Year	San Luis Obispo County	State of California	United States
2015	$49,919	$53,817	$48,060
2016	51,124	55,863	48,971
2017	53,633	58,214	51,004
2018	55,482	60,984	53,309
2019	59,023	64,219	55,567
2020	63,129	70,100	59,151
2021	68,378	77,134	64,460
2022	68,364	77,196	66,692
2023	72,721	81,196	70,002
2024	--	86,232	73,204

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: September 26, 2025-- revised statistics for 2020-2024.
All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Employers

The following table shows the principal employers in the County by number of employees. The Cities are primarily residential.

PRINCIPAL EMPLOYERS
San Luis Obispo County
2024

Employer	Employees
County of San Luis Obispo	2,959
Cal Poly Corporation	2,650
Department of State Hospitals – Atascadero	2,300
California Men's Colony	2,000
California Polytechnic State University	1,912
Lucia Mar Unified School District	1,823
Pacific Gas and Electric Company	1,700
Tenet Health Central Coast	1,425
San Luis Coastal Unified School District	1,388
Paso Robles Joint Unified School District	1,262

Source: County of San Luis Obispo 'Annual Comprehensive Financial Report' for Fiscal Year Ended June 30, 2024.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years of data currently available for the Cities, the County and the State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
Cities of Arroyo Grande, Pismo Beach, Grover Beach,
San Luis Obispo County and State of California
2020 through 2024

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2020	City of Arroyo Grande	8,000	7,600	300	4.2
	City of Pismo Beach	3,600	3,400	200	4.8
	City of Grover Beach	6,900	6,400	500	7.0
	San Luis Obispo County	129,300	118,800	10,500	8.1
	State of California	18,956,600	17,039,800	1,916,800	10.1
2021	City of Arroyo Grande	8,500	8,300	200	2.5
	City of Pismo Beach	3,800	3,700	100	2.6
	City of Grover Beach	6,900	6,600	300	3.7
	San Luis Obispo County	130,000	122,900	7,200	5.5
	State of California	18,954,600	17,564,900	1,389,700	7.3
2022	City of Arroyo Grande	8,500	8,400	100	1.4
	City of Pismo Beach	3,900	3,800	100	1.8
	City of Grover Beach	6,400	6,300	100	2.0
	San Luis Obispo County	131,100	126,900	4,200	3.2
	State of California	19,218,300	18,393,900	824,400	4.3
2023	City of Arroyo Grande	8,800	8,600	100	1.6
	City of Pismo Beach	3,800	3,700	100	3.1
	City of Grover Beach	6,600	6,500	200	2.4
	San Luis Obispo County	132,500	127,700	4,700	3.6
	State of California	19,471,000	18,551,800	919,200	4.7
2024	City of Arroyo Grande	8,800	8,600	200	2.2
	City of Pismo Beach	3,800	3,700	100	3.5
	City of Grover Beach	6,600	6,400	200	2.7
	San Luis Obispo County	132,300	126,900	5,400	4.1
	State of California	19,644,100	18,600,900	1,043,100	5.3

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2024.

Industry

The County is included in the San Luis Obispo-Paso Robles Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the past five calendar years of data currently available. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
San Luis Obispo-Paso Robles MSA
2020 through 2024

Category	2020	2021	2022	2023	2024
Total Farm	4,800	5,000	5,500	5,700	5,800
Mining, Logging and Construction	8,500	9,100	8,900	8,700	8,900
Manufacturing	7,300	7,900	8,200	8,500	8,400
Wholesale Trade	2,500	2,600	2,600	2,500	2,500
Retail Trade	12,900	13,500	13,700	13,500	13,400
Transportation, Warehousing and Utilities	3,700	3,700	3,800	3,900	4,000
Information	1,100	1,200	1,300	1,200	1,100
Financial Activities	3,800	3,900	4,000	3,800	3,700
Professional and Business Services	10,500	11,000	11,100	11,000	10,800
Private Education and Health Services	17,000	17,500	18,100	18,500	18,800
Leisure and Hospitality	15,400	17,400	19,500	19,900	19,900
Other Services	3,300	3,400	3,700	3,900	4,000
Government	23,500	23,200	23,400	23,200	22,500
Total All Industries	114,400	119,300	123,500	124,300	123,800

Source: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2024 Benchmark.

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Commercial Activity

Summaries of annual taxable sales data for the past five years of data currently available for the Cities and the County are shown in the following tables.

ANNUAL TAXABLE TRANSACTIONS
City of Arroyo Grande
2020 through 2024
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2020	542	$284,184	892	$325,518
2021	473	328,633	782	364,996
2022	450	384,071	764	425,334
2023	419	367,226	717	409,640
2024	395	363,529	686	407,638

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

ANNUAL TAXABLE TRANSACTIONS
City of Pismo Beach
2020 through 2024
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2020	407	$214,162	574	$226,263
2021	377	300,569	544	324,752
2022	382	308,124	562	334,580
2023	386	285,791	562	313,126
2024	370	285,339	537	307,651

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

ANNUAL TAXABLE TRANSACTIONS
City of Grover Beach
2020 through 2024
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2020	289	$133,875	530	$156,863
2021	250	141,835	469	166,446
2022	252	133,553	470	178,339
2023	240	122,049	446	165,709
2024	242	115,706	438	160,558

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES
San Luis Obispo County
2020 through 2024
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2020	7,447	$4,005,502	13,332	$5,480,713
2021	6,569	4,803,344	11,956	6,695,515
2022	6,533	5,064,032	12,193	7,094,083
2023	6,320	4,884,514	11,907	6,979,934
2024	6,154	4,779,982	11,740	6,962,105

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the Cities and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
City of Arroyo Grande
2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$17,269	$6,643	$8,122	$17,365	$11,012
Non-Residential	5,425	1,674	2,433	11,341	1,370
Total	$22,694	$8,317	$10,555	$28,706	$12,382
Units:					
Single Family	49	23	19	34	15
Multiple Family	0	0	0	0	5
Total	49	23	19	34	20

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Pismo Beach
2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$12,659	$11,523	$11,649	$5,532	$12,890
Non-Residential	288	1,580	2,033	7,253	35,987
Total	$12,947	$13,103	$13,682	$12,785	$48,877
Units:					
Single Family	23	16	16	11	10
Multiple Family	0	2	0	0	0
Total	23	18	16	11	10

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Grover Beach
2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$3,479	$5,829	$4,122	$5,666	$37,015
Non-Residential	1,543	714	182	24,663	2,261
Total	$5,022	$6,543	$4,304	$30,329	$39,276
Units:					
Single Family	8	15	10	15	18
Multiple Family	0	0	0	0	97
Total	8	15	10	15	115

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
San Luis Obispo County
2020 through 2024
(Dollars in Thousands)

	2020	2021	2022	2023	2024
Valuation					
Residential	$297,569	$315,644	$336,138	$183,938	$326,622
Non-Residential	78,776	93,262	98,957	202,541	115,310
Total	$376,345	$408,906	$435,095	$386,479	$441,932
Units:					
Single Family	861	741	678	373	679
Multiple Family	79	288	401	217	177
Total	940	1,029	1,079	590	856

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

APPENDIX E

SAN LUIS OBISPO COUNTY INVESTMENT POOL

The following information concerning the San Luis Obispo County Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector (the "Treasurer") of San Luis Obispo County (the "County"), and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the 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, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at http://www.slocounty.ca.gov/tax.htm; however, the information presented on such website is not incorporated herein by any reference.

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COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

QUARTERLY REPORT OF INVESTMENTS
QUARTER ENDING DECEMBER 31, 2025

DESCRIPTION

This is a summary of the Treasurer's investment operations for the quarter ending December 31, 2025, and a statement of compliance to the currently adopted County Treasurer's Investment Policy.

SUMMARY

As of December 31, 2025 the Combined Pool of Investments totals were:

Cash on Hand/Banks	$	27,532,341.41
Investments:		
Principal Cost	$	1,983,244,168.55
Market Value	$	2,011,577,147.87
Weighted Average Days to Maturity		483

The details of each investment held by the Treasury as of December 31, 2025 can be found on the Treasury Pool Detail Report attached to this summary. The market value information for this report came from U.S. Bank, Broker/Dealer provided estimates, or was derived through market value calculations.

FOR FINANCIAL STATEMENT REPORTING PURPOSES ONLY					
Amortized Cost	$	1,999,884,927.09	Market Value	$	2,011,577,147.87
Cash on Hand/Banks	$	27,532,341.41	Cash on Hand/Banks	$	27,532,341.41
Accrued Interest	$	14,110,091.86	Accrued Interest	$	14,110,091.86
Total in Treasury	$	2,041,527,360.36	Total Market Value	$	2,053,219,581.14

Participating Dollar Factor: 1.005727192791
(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 December 31, 2025, (available from the County Auditor-Controller's Office) multiplied by the participating dollar factor.
This equates to approximately a $572.72 increase per $100,000.

SEPARATELY MANAGED FUNDS

As of December 31, 2025, the moneys being managed by contracted parties were:

Principal Cost	$	38,777,685.65
Market Value	$	38,956,174.97

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 December 31, 2025 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 January 20, 2026

/S/ JAMES W. HAMILTON, CPA
Auditor, Controller, Treasurer, Tax Collector

County of San Luis Obispo Government Center
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JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 12/31/2025 PORTFOLIO
AS OF: 1/1/2026 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instru-ment	Invest. No.	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val (incls Acc. Int)
01/01/2026	CT	CT - LIQ	42	190,000,000.00	190,000,000.00	0.00	190,000,000.00	190,000,000.00	190,000,000.00	190,000,000.00
CALTRUST				190,000,000.00	190,000,000.00	0.00	190,000,000.00	190,000,000.00	190,000,000.00	190,000,000.00
01/27/2026	WF	FFCB	25-0013	4,849,835.00	4,877,035.00	30,800.00	5,021,277.34	5,000,000.00	4,992,450.00	5,023,250.00
03/02/2026	ZB	FFCB	23-0028	14,911,845.15	14,919,345.15	223,125.00	15,218,281.37	15,000,000.00	15,022,500.00	15,245,625.00
06/16/2026	WF	FFCB	23-0003	24,444,650.00	24,461,663.89	36,458.33	24,968,772.51	25,000,000.00	24,985,250.00	25,021,708.33
06/23/2026	ZB	FFCB	24-0031	9,914,594.25	10,044,459.93	9,709.58	9,981,129.76	9,987,000.00	10,022,953.20	10,032,662.78
07/27/2026	UB	FFCB	23-0011	10,057,800.00	10,059,050.00	192,500.00	10,201,246.09	10,000,000.00	10,047,600.00	10,240,100.00
07/30/2026	USB	FFCB	24-0003	14,993,550.00	14,993,550.00	314,583.33	15,313,234.24	15,000,000.00	15,109,050.00	15,423,633.33
08/03/2026	UB	FFCB	23-0004	11,433,159.70	11,487,204.70	148,123.33	12,070,325.39	12,010,000.00	11,964,241.90	12,112,365.23
10/19/2026	UB	FFCB	23-0007	6,460,155.00	6,460,155.00	55,250.00	6,547,313.72	6,500,000.00	6,534,775.00	6,590,025.00
10/20/2026	USB	FFCB	24-0002	9,969,800.00	9,979,279.17	96,145.83	10,088,048.12	10,000,000.00	10,096,300.00	10,192,445.83
12/07/2026	WF	FFCB	24-0008	24,923,600.00	24,923,600.00	72,916.67	25,049,215.94	25,000,000.00	25,176,750.00	25,249,666.67
01/07/2027	ZB	FFCB	25-0001	9,860,000.00	9,901,805.56	169,166.67	10,102,405.74	10,000,000.00	9,992,200.00	10,161,366.67
03/08/2027	ZB	FFCB	24-0026	14,923,650.00	14,943,702.08	205,989.58	15,175,632.72	15,000,000.00	15,159,750.00	15,365,739.58
04/07/2027	ZB	FFCB	25-0034	19,539,000.00	19,545,296.88	176,312.50	19,701,042.90	19,500,000.00	19,581,315.00	19,757,627.50
05/20/2027	USB	FFCB	24-0021	24,947,000.00	24,947,000.00	113,888.89	25,092,467.85	25,000,000.00	25,154,750.00	25,268,638.89
09/28/2027	ZB	FFCB	25-0023	15,199,950.00	15,489,012.50	179,218.75	15,314,004.57	15,000,000.00	15,280,800.00	15,460,018.75
10/04/2027	ZB	FFCB	24-0009	10,456,293.00	10,461,483.00	112,882.50	10,527,913.88	10,380,000.00	10,553,761.20	10,666,643.70
11/12/2027	USB	FFCB	25-0010	20,018,000.00	20,079,875.00	112,291.67	20,123,763.09	20,000,000.00	20,204,600.00	20,316,891.67
11/15/2027	USB	FFCB	24-0011	7,492,426.00	7,514,291.97	43,731.94	7,487,631.07	7,400,000.00	7,547,112.00	7,590,843.94
12/10/2027	USB	FFCB	25-0032	7,705,775.00	7,730,639.58	8,702.60	7,712,900.45	7,700,000.00	7,733,187.00	7,741,889.60
01/03/2028	ZB	FFCB	26-0005	9,983,800.00	10,014,911.11	85,555.55	10,070,525.89	10,000,000.00	10,001,200.00	10,086,755.55
02/24/2028	USB	FFCB	25-0029	8,050,720.00	8,073,386.67	119,944.44	8,157,003.60	8,000,000.00	8,120,720.00	8,240,664.44
03/07/2028	ZB	FFCB	25-0028	12,653,010.00	12,668,047.15	155,839.58	12,821,365.82	12,700,000.00	12,775,057.00	12,930,896.58
08/28/2028	WF	FFCB	25-0007	25,370,500.00	25,686,125.00	384,375.00	25,649,017.85	25,000,000.00	25,550,250.00	25,934,625.00
09/22/2028	USB	FFCB	25-0008	17,765,475.00	17,933,912.50	216,562.50	17,907,558.61	17,500,000.00	17,927,700.00	18,144,262.50
10/24/2028	USB	FFCB	26-0012	29,797,800.00	29,924,362.50	188,437.50	29,990,666.64	30,000,000.00	29,866,800.00	30,055,237.50
12/07/2028	USB	FFCB	25-0025	15,020,250.00	15,026,916.67	40,000.00	15,055,865.22	15,000,000.00	15,178,500.00	15,218,500.00
03/07/2029	ZB	FFCB	25-0026	15,018,300.00	15,024,966.67	190,000.00	15,204,582.22	15,000,000.00	15,224,850.00	15,414,850.00
08/01/2029	WF	FFCB	26-0004	8,340,384.00	8,428,704.83	140,937.50	8,475,459.31	8,200,000.00	8,339,728.00	8,480,665.50
12/03/2029	USB	FFCB	26-0010	14,950,050.00	14,950,050.00	40,833.33	14,991,874.81	15,000,000.00	14,932,050.00	14,972,883.33
FEDERAL FARM CREDIT BANKS				419,051,372.10	420,549,832.51	3,864,282.57	424,020,526.72	419,877,000.00	423,076,200.30	426,940,482.87
03/13/2026	ZB	FHLB	24-0014	19,779,400.00	19,981,066.67	247,500.00	20,228,468.88	20,000,000.00	20,020,800.00	20,268,300.00
09/11/2026	ZB	FHLB	24-0001	19,878,000.00	19,940,291.67	297,916.67	20,268,770.30	20,000,000.00	20,173,000.00	20,470,916.67
11/17/2026	WF	FHLB	24-0010	15,095,910.00	15,136,378.75	84,791.67	15,113,341.64	15,000,000.00	15,128,100.00	15,212,891.67
12/11/2026	USB	FHLB	24-0004	20,096,400.00	20,164,108.33	54,166.67	20,084,068.94	20,000,000.00	20,249,000.00	20,303,166.67
01/15/2027	WF	FHLB	24-0022	11,981,988.00	11,990,238.00	228,250.00	12,221,899.72	12,000,000.00	12,076,800.00	12,305,050.00
03/10/2027	USB	FHLB	25-0031	15,166,646.40	15,198,608.62	186,726.67	15,343,069.28	15,140,000.00	15,227,357.80	15,414,084.47
03/12/2027	ZB	FHLB	24-0023	6,263,110.50	6,382,546.13	85,088.13	6,337,115.84	6,245,000.00	6,316,567.70	6,401,655.83
04/09/2027	ZB	FHLB	25-0030	15,346,530.00	15,692,971.25	163,265.42	15,414,642.31	15,090,000.00	15,343,964.70	15,507,230.12
06/04/2027	ZB	FHLB	26-0008	5,030,000.00	5,121,493.06	14,531.25	5,042,943.66	5,000,000.00	5,024,650.00	5,039,181.25
09/10/2027	USB	FHLB	24-0024	9,541,386.00	9,645,688.08	74,693.75	9,962,825.09	10,200,000.00	10,002,834.00	10,077,527.75
12/10/2027	FHN	FHLB	25-0002	25,011,375.00	25,486,548.61	61,979.17	25,069,208.51	25,000,000.00	25,360,500.00	25,422,479.17
03/10/2028	USB	FHLB	24-0029	24,614,440.20	24,703,778.33	341,949.37	24,969,886.28	24,645,000.00	25,160,326.95	25,502,276.32
06/09/2028	ZB	FHLB	26-0009	4,971,600.00	5,050,141.67	9,930.56	4,982,426.75	5,000,000.00	4,970,250.00	4,980,180.56
06/09/2028	ZB	FHLB	25-0017	4,858,550.00	4,862,612.50	9,930.56	4,910,726.07	5,000,000.00	4,970,250.00	4,980,180.56

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11/16/2028	USB	FHLB	25-0035	14,699,250.00	14,894,250.00	60,937.50	14,820,977.40	15,000,000.00	14,913,750.00	14,974,687.50
11/16/2028	ZB	FHLB	25-0036	1,959,500.00	1,985,500.00	8,125.00	1,975,811.18	2,000,000.00	1,988,500.00	1,996,625.00
11/27/2028	WF	FHLB	25-0005	15,135,885.00	15,160,968.33	60,916.67	15,160,415.63	15,000,000.00	15,306,000.00	15,366,916.67
12/08/2028	ZB	FHLB	25-0018	10,395,731.45	10,409,196.38	30,969.34	10,376,881.90	10,205,000.00	10,516,354.55	10,547,323.89
12/08/2028	WF	FHLB	26-0007	10,565,777.74	10,754,676.63	26,654.44	10,587,430.48	10,430,000.00	10,558,601.90	10,585,256.34
03/29/2029	USB	FHLB	26-0002	7,575,372.80	7,586,428.36	40,684.45	7,637,254.76	7,960,000.00	7,554,040.00	7,594,724.45
06/08/2029	USB	FHLB	26-0001	2,897,471.50	2,928,378.44	5,226.91	2,906,741.85	2,975,000.00	2,892,295.00	2,897,521.91
09/14/2029	USB	FHLB	26-0003	16,132,445.00	16,212,204.17	193,959.79	16,312,072.45	15,820,000.00	16,085,617.80	16,279,577.59
FEDERAL HOME LOAN BANKS				276,996,769.59	279,288,073.98	2,288,193.99	279,726,978.92	277,710,000.00	279,839,560.40	282,127,754.39
01/01/2026	ST	LAIF	1	75,000,000.00	75,000,000.00	759,101.98	75,759,101.98	75,000,000.00	75,163,611.23	75,922,713.21
LOCAL AGENCY INVESTMENT FUND				75,000,000.00	75,000,000.00	759,101.98	75,759,101.98	75,000,000.00	75,163,611.23	75,922,713.21
01/01/2026	FSB	PLCMT DEP - ICS	37	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
PLACEMENT SERVICE DEPOSITS				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
01/01/2026	FSB	PIMMA	36	50,000,000.00	50,000,000.00	0.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
01/01/2026	PPB	PIMMA	43	150,000,000.00	150,000,000.00	0.00	150,000,000.00	150,000,000.00	150,000,000.00	150,000,000.00
PIMMA				200,000,000.00	200,000,000.00	0.00	200,000,000.00	200,000,000.00	200,000,000.00	200,000,000.00
04/20/2026	UB	SUPRA - IADB	23-0024	13,509,150.00	13,528,837.50	25,885.42	14,893,013.29	15,000,000.00	14,870,850.00	14,896,735.42
05/15/2026	WF	SUPRA - IADB	24-0005	9,937,810.00	9,955,310.00	57,500.00	10,048,219.97	10,000,000.00	10,025,400.00	10,082,900.00
07/23/2026	UB	SUPRA - IADB	23-0030	6,386,214.00	6,403,163.78	60,865.11	6,904,751.22	6,934,000.00	6,867,502.94	6,928,368.05
01/15/2027	WF	SUPRA - IFC	24-0007	9,982,010.00	9,982,010.00	201,782.22	10,195,780.28	10,000,000.00	10,070,900.00	10,272,682.22
02/01/2027	USB	SUPRA - IADB	24-0018	16,943,730.00	16,943,730.00	309,895.83	17,290,468.70	17,000,000.00	17,128,690.00	17,438,585.83
03/10/2027	WF	SUPRA - IADB	23-0037	15,369,600.00	15,429,600.00	208,125.00	15,320,195.62	15,000,000.00	15,149,550.00	15,357,675.00
06/15/2027	USB	SUPRA - IBRD	25-0004	14,629,950.00	14,850,002.08	20,833.33	14,808,345.24	15,000,000.00	14,905,950.00	14,926,783.33
11/24/2027	USB	SUPRA - IBRD	24-0017	8,692,300.00	8,696,050.00	7,708.33	9,380,592.31	10,000,000.00	9,491,800.00	9,499,508.33
01/12/2028	USB	SUPRA - IADB	24-0032	19,620,600.00	19,818,377.78	375,555.56	20,170,496.91	20,000,000.00	20,163,200.00	20,538,755.56
04/20/2028	USB	SUPRA - IBRD	25-0020	13,639,950.00	13,676,043.75	40,677.08	14,099,621.06	15,000,000.00	14,275,800.00	14,316,477.08
07/12/2028	USB	SUPRA - IBRD	25-0003	11,663,880.00	11,819,046.67	197,166.67	11,963,024.20	12,000,000.00	11,974,080.00	12,171,246.67
07/12/2028	WF	SUPRA - IBRD	25-0022	19,461,260.00	19,537,093.33	328,611.11	19,926,624.84	20,000,000.00	19,956,800.00	20,285,411.11
07/20/2028	USB	SUPRA - IADB	25-0016	4,495,950.00	4,518,293.75	25,156.25	4,668,296.51	5,000,000.00	4,702,100.00	4,727,256.25
08/01/2028	USB	SUPRA - IBRD	25-0019	20,189,600.00	20,554,461.11	385,416.67	20,521,174.30	20,000,000.00	20,506,800.00	20,892,216.67
09/18/2028	USB	SUPRA - IADB	25-0009	10,380,845.00	10,457,364.10	96,115.46	10,580,634.61	10,750,000.00	10,620,355.00	10,716,470.46
01/29/2029	WF	SUPRA - IADB	25-0037	10,001,230.00	10,087,167.50	174,166.67	10,175,164.15	10,000,000.00	10,045,300.00	10,219,466.67
02/15/2029	WF	SUPRA - IADB	25-0033	25,184,775.00	25,342,327.08	389,583.33	25,539,425.74	25,000,000.00	25,364,750.00	25,754,333.33
06/18/2029	USB	SUPRA - IADB	26-0006	9,549,200.00	9,644,825.00	8,125.00	9,571,488.07	10,000,000.00	9,546,300.00	9,554,425.00
07/02/2029	USB	SUPRA - IFC	26-0011	25,304,004.70	25,764,221.85	524,706.18	25,820,331.09	24,830,000.00	25,316,668.00	25,841,374.18
SUPRANATIONALS				264,942,058.70	267,007,925.28	3,437,875.22	271,877,648.11	271,514,000.00	270,982,795.94	274,420,671.16
01/15/2026	USB	T-NOTE	24-0025	24,615,234.38	24,782,902.65	447,520.38	25,439,456.43	25,000,000.00	25,001,000.00	25,448,520.38
01/31/2026	UB	T-NOTE	22-0028	10,976,250.00	10,985,324.59	18,831.52	11,996,704.38	12,000,000.00	11,968,800.00	11,987,631.52
02/15/2026	UB	T-NOTE	22-0023	19,206,250.00	19,252,935.08	122,758.15	20,097,407.72	20,000,000.00	19,950,000.00	20,072,758.15
03/31/2026	WF	T-NOTE	23-0022	18,925,000.00	19,016,483.52	114,972.52	20,035,508.25	20,000,000.00	19,934,200.00	20,049,172.52
04/30/2026	UB	T-NOTE	23-0016	13,463,671.88	13,474,859.73	19,267.96	14,871,948.79	15,000,000.00	14,862,450.00	14,881,717.96
05/15/2026	UB	T-NOTE	23-0005	13,646,484.38	13,735,903.54	31,647.10	14,894,866.52	15,000,000.00	14,894,550.00	14,926,197.10
07/15/2026	USB	T-NOTE	24-0034	9,932,812.50	10,045,312.50	207,880.43	10,191,922.39	10,000,000.00	10,051,300.00	10,259,180.43
08/15/2026	USB	T-NOTE	24-0019	15,104,296.88	15,321,858.02	247,877.04	15,272,077.34	15,000,000.00	15,070,950.00	15,318,827.04
10/15/2026	USB	T-NOTE	24-0020	15,222,656.25	15,338,281.25	148,660.71	15,210,402.09	15,000,000.00	15,120,900.00	15,269,560.71
11/15/2026	ZB	T-NOTE	23-0021	18,606,250.00	18,637,189.23	51,933.70	19,742,643.73	20,000,000.00	19,735,800.00	19,787,733.70

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02/15/2027	UB	T-NOTE	23-0035	19,018,750.00	19,087,120.17	169,972.83	19,883,833.08	20,000,000.00	19,723,400.00	19,893,372.83
04/30/2027	USB	T-NOTE	24-0027	18,987,500.00	19,199,038.46	94,198.90	19,663,196.26	20,000,000.00	19,806,200.00	19,900,398.90
05/15/2027	USB	T-NOTE	24-0015	23,423,828.13	23,466,238.84	77,089.09	24,448,384.25	25,000,000.00	24,623,000.00	24,700,089.09
06/15/2027	USB	T-NOTE	25-0021	15,128,850.00	15,144,097.25	32,400.41	15,107,943.00	15,000,000.00	15,239,700.00	15,272,100.41
07/31/2027	WF	T-NOTE	24-0033	18,790,625.00	18,899,416.21	230,163.04	19,652,071.73	20,000,000.00	19,774,200.00	20,004,363.04
08/15/2027	USB	T-NOTE	24-0028	23,234,375.00	23,317,822.80	212,466.03	24,359,249.05	25,000,000.00	24,513,750.00	24,726,216.03
10/15/2027	USB	T-NOTE	25-0038	5,991,540.00	6,107,151.26	49,821.43	6,043,786.50	6,000,000.00	6,040,080.00	6,089,901.43
02/29/2028	USB	T-NOTE	24-0035	19,476,562.50	19,580,910.33	271,823.21	19,979,542.84	20,000,000.00	20,208,600.00	20,480,423.21
04/30/2028	USB	T-NOTE	25-0006	14,743,359.38	14,799,920.15	89,917.13	14,913,709.92	15,000,000.00	14,997,600.00	15,087,517.13
05/15/2028	ZB	T-NOTE	25-0011	14,409,375.00	14,440,348.76	55,991.02	14,647,605.23	15,000,000.00	14,786,100.00	14,842,091.02
07/31/2028	USB	T-NOTE	25-0014	14,993,554.69	15,220,541.78	258,933.42	15,254,354.63	15,000,000.00	15,223,800.00	15,482,733.42
10/31/2028	ZB	T-NOTE	25-0012	13,532,812.50	13,556,172.31	35,324.59	13,966,964.12	15,000,000.00	14,131,650.00	14,166,974.59
11/15/2028	USB	T-NOTE	25-0015	14,453,320.31	14,489,577.22	60,859.81	14,660,673.49	15,000,000.00	14,832,450.00	14,893,309.81
01/31/2029	ZB	T-NOTE	25-0024	15,019,921.88	15,084,562.76	251,086.96	15,266,861.95	15,000,000.00	15,190,950.00	15,442,036.96
02/15/2029	ZB	T-NOTE	25-0027	14,245,312.50	14,279,031.42	148,726.22	14,546,559.48	15,000,000.00	14,585,100.00	14,733,826.22
04/30/2029	USB	T-NOTE	26-0015	14,667,150.00	14,717,184.53	73,860.50	14,746,400.78	15,000,000.00	14,668,350.00	14,742,210.50
05/15/2029	WF	T-NOTE	26-0013	23,972,656.25	24,013,661.08	77,089.08	24,067,797.70	25,000,000.00	24,037,000.00	24,114,089.08
10/31/2029	USB	T-NOTE	26-0016	15,203,850.00	15,273,463.26	102,762.43	15,303,739.28	15,000,000.00	15,196,350.00	15,299,112.43
11/15/2029	WF	T-NOTE	26-0014	23,261,718.75	23,291,932.84	56,802.49	23,345,152.29	25,000,000.00	23,346,750.00	23,403,552.49
TREASURY NOTE				482,253,968.16	484,559,241.54	3,760,638.10	497,610,763.22	503,000,000.00	497,514,980.00	501,275,618.10
TOTALS				1,983,244,168.55	1,991,405,073.31	14,110,091.86	2,013,995,018.95	2,012,101,000.00	2,011,577,147.87	2,025,687,239.73
QUARTERLY SUMMARY TOTALS				1,983,244,168.55					2,011,577,147.87	

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 12/31/2025 PORTFOLIO
AS OF: 1/1/2026 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned
TREASURY POOL DETAIL REPORT DEFINITIONS/CODES

Code	Broker/Bank/Issuer - The name of the broker or bank from which the instrument was purchased or issued.
CT	CalTrust
FHN	FHN Financial | Capital Markets
FSB	Five Star Bank
IBRD	International Bank of Reconstruction and Development (World Bank)
IADB	Inter-American Development Bank
IFC	International Finance Corporation
PPB	Pacific Premier Bank
SLO	County of San Luis Obispo
ST	State of California
UB	MUFG Union Bank, N.A.
USB	U.S. Bancorp Advisors
WF	Wells Fargo Institutional Sec., LLC
ZB	Zions First National Bank

Code	Instrument - Type of investment purchased from a broker.
CT-LIQ	CalTrust Liquidity Fund
FFCB	Federal Farm Credit Bank
FHLB	Federal Home Loan Bank
LAIF	Local Agency Investment Fund
CPP-NOTE	County Pension Prefund Not
PIMMA	Public Investment Money Market Account (interest bearing deposit account secured by collateral per CGC section 53651 et. Seq)
T-NOTE	Treasury Note
SUPRA	Supranational
PLCMT DEP-ICS	Placement Service Deposits - Insured Cash Sweep (FDIC insured)

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: 12/31/2025

		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	22,210.93	22,210.93
Money held in conjunction with:	SLO 03 Series A,B,C		
	Pension Trust Obligation Bond		
		22,213.93	22,213.93
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	0.00	0.00
	Interest Account	108.82	108.82
	Principal Account	294.82	294.82
	Reserve Fund	0.00	0.00
	Debt Service Fund	656.59	656.59
Money held in conjunction with:	SLO County Revenue Bonds		
	2011 Series A-Lopez Dam Imp Refunding		
		1,060.23	1,060.23
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	563.89	563.89
	Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO County COP 07 Series A		
	(Paso Robles Courthouse Project)		
		563.89	563.89
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	07 Series A & B Revenue Fund	17,384.40	17,384.40
	07 Series A & B Interest Account	1,394,473.96	1,394,473.96
	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	9,180,634.27	9,359,123.59
	07 Series A Project Fund	0.01	0.01
	07 Series A Rebate Fund	172,726.29	172,726.29
	07 Series B Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO County Rev Bond Ser A & B		
	(Nacimiento Water Project)		
		10,765,218.93	10,943,708.25
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	1,357.24	1,357.24
	Interest Account	39,510.32	39,510.32
	Principal Account	2,066.73	2,066.73
	Construction Fund	158.93	158.93
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Bonds 2020 Ser A		
		43,093.22	43,093.22

JAMES W. HAMILTON, CPA

SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR

SEPARATELY MANAGED FUNDS DETAIL REPORT

AS OF: 12/31/2025

		Principal Cost	Market Value
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	507.84	507.84
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Refunding Bonds 2020 Ser B		
		507.84	507.84
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	7,108.57	7,108.57
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	27,500,873.93	27,500,873.93
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Bonds 2022 Ser A		
		27,507,982.50	27,507,982.50
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	1,457.89	1,457.89
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	435,587.22	435,587.22
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Bonds 2022 Ser B		
	(Cayucos Veterans Hall Project)		
	TOTAL:	437,045.11	437,045.11
	GRAND TOTAL:	38,777,685.65	38,956,174.97

NOTE: This report has been produced from information provided by the Trustees identified above.