NEW ISSUE—FULL BOOK-ENTRY

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

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

$50,000,000
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2016 General Obligation Bonds, Series B

Dated: Date of Delivery **Due: August 1, as shown herein**

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

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

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees. The Bonds will be dated as of their date of initial delivery (the "Date of Delivery") and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

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

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

Maturity Schedule
(see inside front cover page)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about June 7, 2018.

STIFEL

Dated: May 16, 2018.

MATURITY SCHEDULE

$50,000,000
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2016 General Obligation Bonds, Series B

Base CUSIP[†]: 54947T

$23,615,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[†]
2020	$4,005,000	5.000%	1.710%	EV7
2021	3,255,000	5.000	1.760	EW5
2022	40,000	4.000	1.880	EX3
2023	120,000	4.000	1.950	EY1
2024	205,000	5.000	2.050	EZ8
2025	300,000	5.000	2.150	FA2
2026	405,000	5.000	2.260	FB0
2027	510,000	5.000	2.370	FC8
2028	515,000	5.000	2.470	FD6
2029	620,000	5.000	2.590[1]	FE4
2030	735,000	5.000	2.650[1]	FF1
2031	855,000	3.375	2.900[1]	FG9
2032	970,000	5.000	2.780[1]	FH7
2033	1,110,000	5.000	2.850[1]	FJ3
2034	1,260,000	4.000	3.250[1]	FK0
2035	1,410,000	4.000	3.340[1]	FL8
2036	1,565,000	4.000	3.420[1]	FM6
2037	1,730,000	4.000	3.450[1]	FN4
2038	1,910,000	4.000	3.480[1]	FP9
2039	2,095,000	3.500	3.690	FQ7

$7,575,000 – 5.000% Term Bonds due August 1, 2042 – Yield 3.130%[1]; CUSIP[†]: FR5

$18,810,000 – 4.000% Term Bonds due August 1, 2047 – Yield 3.620%[1]; CUSIP[†]: FS3

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

[1] Yield to call at par on August 1, 2028.

DISTRICT ADMINISTRATION

Raynee J. Daley, Ed.D., *Superintendent*
Andy Stenson, *Assistant Superintendent, Business*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

U.S. Bank National Association
Los Angeles, California

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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 as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

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

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

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

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

$50,000,000
LUCIA MAR UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
Election of 2016 General Obligation Bonds, Series B

INTRODUCTION

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

Changes Since Date of Preliminary Official Statement

On May 11, 2018, the Governor of the State of California (the "State") released the May revision to the proposed State budget for fiscal year 2018-19. Information presented under the heading "DISTRICT FINANCIAL INFORMATION – State Budget Measure" has been updated accordingly. In addition, on May 10, 2018, the STRS Board (defined herein) approved the actuarial valuation of the STRS Defined Benefit Program for fiscal year ending June 30, 2017. Information presented under the heading "LUCIA MAR UNIFIED SCHOOL DISTRICT – Retirement Programs" has been updated accordingly.

General

The Lucia Mar Unified School District (the "District") was established as a unified school district in 1965, and is located about 15 miles south of the City of San Luis Obispo. The District encompasses approximately 550 square miles in San Luis Obispo County (the "County"). The District operates 11 elementary schools, three middle schools, three high schools, one continuation high school and one adult education program. For fiscal year 2017-18, the District has an average daily attendance ("ADA") of 10,029 students, and taxable property within the District has an assessed valuation of $14,069,832,362.

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

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

Purposes of the Bonds

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

Authority for Issuance of the Bonds

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

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. 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. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (the "DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (as defined herein). See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Exchange and Transfer of Bonds" herein.

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

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

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

Payments. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1, commencing February 1, 2019 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1, in the amounts and years as shown on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, acting as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), 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 on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about June 7, 2018.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *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 District's financial condition and taxation of property within the District, see "TAX BASE FOR REPAYMENT OF BONDS," "DISTRICT FINANCIAL INFORMATION" and "LUCIA MAR UNIFIED SCHOOL DISTRICT" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out the provisions of that certain Continuing Disclosure Certificate relating to the Bonds. Pursuant thereto, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance 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 below under "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Professionals Involved in the Offering

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

Other Information

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

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

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

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

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

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, Article XIIIA of the State Constitution and pursuant to a resolution adopted by the Board on May 1, 2018 (the "Resolution"). The County has adopted a resolution pursuant to Education Code Section 15140(b), which authorizes the District to issue the Bonds on its own behalf.

The District received authorization at an election held on November 8, 2016, by the requisite 55% or more of the votes cast by eligible voters of the District to issue $170,000,000 aggregate principal amount of general obligation bonds (the "2016 Authorization"). On March 30, 2017, a first series of bonds was issued pursuant to the 2016 Authorization in the aggregate principal amount of $35,000,000. The Bonds are the second series of bonds issued under the 2016 Authorization, and, following the issuance thereof, $85,000,000 of the 2016 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property 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 principal of and interest on the Bonds when due. The levy may include allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that such reserve will be established by the County or that such a reserve, if previously established by the County, will be maintained in the future.

Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds and all other bonds issued pursuant to the 2016 Authorization, and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged all such taxes received, as well as any proceeds of the Bonds on deposit in the Debt Service Fund, to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

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

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

Statutory Lien

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

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

General Provisions

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

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing February 1, 2019. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2019, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

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

[REMAINDER OF PAGE LEFT BLANK]

Annual Debt Service

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

Year Ending August 1	Annual Principal Payment	Annual Interest Payment[(1)]	Total Annual Debt Service Payment
2019	--	$2,514,165.94	$2,514,165.94
2020	$4,005,000	2,186,231.26	6,191,231.26
2021	3,255,000	1,985,981.26	5,240,981.26
2022	40,000	1,823,231.26	1,863,231.26
2023	120,000	1,821,631.26	1,941,631.26
2024	205,000	1,816,831.26	2,021,831.26
2025	300,000	1,806,581.26	2,106,581.26
2026	405,000	1,791,581.26	2,196,581.26
2027	510,000	1,771,331.26	2,281,331.26
2028	515,000	1,745,831.26	2,260,831.26
2029	620,000	1,720,081.26	2,340,081.26
2030	735,000	1,689,081.26	2,424,081.26
2031	855,000	1,652,331.26	2,507,331.26
2032	970,000	1,623,475.00	2,593,475.00
2033	1,110,000	1,574,975.00	2,684,975.00
2034	1,260,000	1,519,475.00	2,779,475.00
2035	1,410,000	1,469,075.00	2,879,075.00
2036	1,565,000	1,412,675.00	2,977,675.00
2037	1,730,000	1,350,075.00	3,080,075.00
2038	1,910,000	1,280,875.00	3,190,875.00
2039	2,095,000	1,204,475.00	3,299,475.00
2040	2,285,000	1,131,150.00	3,416,150.00
2041	2,520,000	1,016,900.00	3,536,900.00
2042	2,770,000	890,900.00	3,660,900.00
2043	3,035,000	752,400.00	3,787,400.00
2044	3,290,000	631,000.00	3,921,000.00
2045	3,560,000	499,400.00	4,059,400.00
2046	3,845,000	357,000.00	4,202,000.00
2047	5,080,000	203,200.00	5,283,200.00
	$50,000,000	$41,241,941.06	$91,241,941.06

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2019.

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

Application and Investment of Bond Proceeds

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

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

Debt Service Fund. Any premium or accrued interest received by the District from the sale of the Bonds will be deposited into a debt service fund (the "Debt Service Fund"), which fund is held by the County for the payment of principal of and interest on the Bonds and all other bonds issued pursuant to the 2016 Authorization, and for no other purpose. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. Any excess proceeds of the Bonds not needed for authorized purposes for which the Bonds are being issued will be transferred to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds. If, after payment in full of the Bonds and any other bonds issued pursuant to the 2016 Authorization there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District. Pursuant to the Resolution, the District has pledged to the payment of the Bonds (i) all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment of the Bonds, and (ii) all such revenues received and proceeds of the Bonds, as well as interest earnings thereon, on deposit in the Debt Service Fund.

Investment of Proceeds. Moneys in the Building Fund and 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, 2028 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2029 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, 2028, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 1, 2042, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2040, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
2040	$2,285,000
2041	2,520,000
2042[(1)]	2,770,000
Total:	$7,575,000

(1) Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2042 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 of the portion of such Term Bonds optionally redeemed.

The Term Bonds maturing on August 1, 2047, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2043, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
2043	$3,035,000
2044	3,290,000
2045	3,560,000
2046	3,845,000
2047[1]	5,080,000
Total:	$18,810,000

(1) Final maturity.

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

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

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

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

Notice to such other persons as may otherwise be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

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

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

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

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

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

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

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

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of principal of, or interest or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

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

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

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

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

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

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

Defeasance

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

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

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$50,000,000.00
Net Original Issue Premium	3,902,341.70
Total Sources	$53,902,341.70
Uses of Funds	
Building Fund	$49,865,000.00
Debt Service Fund	3,677,341.70
Costs of Issuance(1)	135,000.00
Underwriter's Discount	225,000.00
Total Uses	$53,902,341.70

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

TAX BASE FOR REPAYMENT OF BONDS

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

***Ad Valorem* Property Taxation**

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured 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 the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due 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 tax-collecting authority of the County. After the second installment of taxes on the secured roll is delinquent, the tax-collecting authority of the County will collect a cost of $10 for preparing the delinquent tax records and giving notice of the delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the 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 "— Tax Levies, Collections and Delinquencies" herein.

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

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals, and charitable institutions, the values of which are not reimbursed by the State.

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 K-14 school districts (as defined herein), 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.

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Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2017-18 of $14,069,832,362. The following table shows a 10-year history of assessed valuations in the District.

ASSESSED VALUATIONS
Fiscal Years 2008-09 through 2017-18
Lucia Mar Unified School District

	Local Secured	Utility	Unsecured	Total	% Change[1]
2008-09	$10,971,975,327	$3,429,808	$197,721,810	$11,173,126,945	--
2009-10	10,899,142,425	3,429,808	189,165,995	11,091,738,228	(0.73)%
2010-11	10,800,280,840	3,429,808	187,608,957	10,991,319,605	(0.91)
2011-12	10,589,605,679	3,429,808	177,693,444	10,770,728,931	(2.01)
2012-13	10,628,688,158	813,528	189,648,499	10,819,150,185	0.45
2013-14	10,936,232,852	807,785	199,102,293	11,136,142,930	2.93
2014-15	11,633,502,798	789,042	198,080,850	11,832,372,690	6.25
2015-16	12,399,000,628	778,613	194,109,905	12,593,889,146	6.44
2016-17	13,181,700,535	745,491	200,023,436	13,382,469,462	6.26
2017-18	13,872,568,585	757,187	196,506,590	14,069,832,362	5.14

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

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

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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 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 also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

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

The following table shows a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2017-18 assessed valuation, including the median and average per-parcel assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2017-18
Lucia Mar Unified School District

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	20,912	$9,731,151,017	$465,338	$414,302

2017-18 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	521	2.491%	2.491%	$18,540,606	0.191%	0.191%
50,000 - 99,999	870	4.160	6.652	63,485,457	0.652	0.843
100,000 - 149,999	891	4.261	10.912	112,897,588	1.160	2.003
150,000 - 199,999	1,312	6.274	17.186	231,171,505	2.376	4.379
200,000 - 249,999	1,669	7.981	25.167	375,653,412	3.860	8.239
250,000 - 299,999	1,559	7.455	32.622	429,157,253	4.410	12.649
300,000 - 349,999	1,546	7.393	40.015	502,646,195	5.165	17.814
350,000 - 399,999	1,565	7.484	47.499	586,972,589	6.032	23.846
400,000 - 449,999	1,665	7.962	55.461	706,758,385	7.263	31.109
450,000 - 499,999	1,464	7.001	62.462	693,646,431	7.128	38.237
500,000 - 549,999	1,248	5.968	68.430	653,989,053	6.721	44.958
550,000 - 599,999	1,139	5.447	73.876	653,534,770	6.716	51.674
600,000 - 649,999	946	4.524	78.400	590,480,917	6.068	57.742
650,000 - 699,999	791	3.783	82.182	532,523,461	5.472	63.214
700,000 - 749,999	658	3.147	85.329	476,705,462	4.899	68.113
750,000 - 799,999	601	2.874	88.203	465,702,799	4.786	72.899
800,000 - 849,999	512	2.448	90.651	421,269,766	4.329	77.228
850,000 - 899,999	406	1.941	92.593	354,781,262	3.646	80.873
900,000 - 949,999	343	1.640	94.233	317,049,362	3.258	84.132
950,000 - 999,999	238	1.138	95.371	231,388,538	2.378	86.509
1,000,000 and greater	968	4.629	100.000	1,312,796,206	13.491	100.000
Total	20,912	100.000%		$9,731,151,017	100.000%	

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

Assessed Valuation and Parcels by Land Use

The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2017-18 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2017-18
Lucia Mar Unified School District

	2017-18 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural	$391,408,934	2.82%	862	2.37%	818	2.47%
Commercial	680,202,966	4.90	1,235	3.39	1,209	3.65
Vacant Commercial	150,944,173	1.09	410	1.13	382	1.15
Hotel/Motel	361,263,631	2.60	104	0.29	104	0.31
Industrial	382,795,345	2.76	254	0.70	254	0.77
Vacant Industrial	31,958,601	0.23	93	0.26	92	0.28
Recreational	68,757,613	0.50	512	1.41	485	1.46
Government/Social/Institutional	31,143,539	0.22	721	1.98	30	0.09
Miscellaneous	34,808,459	0.25	1,045	2.87	268	0.81
Subtotal Non-Residential	$2,133,283,261	15.38%	5,236	14.37%	3,642	10.99%
Residential:						
Single Family Residence	$9,731,151,017	70.15%	20,929	57.44%	20,912	63.09%
Condominium/Townhouse/PUD	869,537,340	6.27	2,955	8.11	2,955	8.92
Mobile Home	206,072,414	1.49	2,621	7.19	2,581	7.79
Mobile Home Park	101,174,490	0.73	63	0.17	63	0.19
2-4 Residential Units	336,872,290	2.43	889	2.44	889	2.68
5+ Residential Units/Apartments	158,841,334	1.15	219	0.60	214	0.65
Timeshare	5,930,880	0.04	875	2.40	875	2.64
Miscellaneous Residential	4,494,163	0.03	52	0.14	48	0.14
Vacant Residential	325,211,396	2.34	2,598	7.13	965	2.91
Subtotal Residential	$11,739,285,324	84.62%	31,201	85.63%	29,502	89.01%
Total	$13,872,568,585	100.00%	36,437	100.00%	33,144	100.00%

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

Assessed Valuation by Jurisdiction

The following table shows the fiscal year 2017-18 assessed valuation of the District by jurisdiction.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2017-18
Lucia Mar Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Arroyo Grande	$2,886,907,748	20.52%	$2,886,907,748	100.00%
City of Grover Beach	1,627,337,660	11.57	1,627,337,660	100.00
City of Pismo Beach	2,592,482,896	18.43	3,171,340,541	81.75
Unincorporated San Luis Obispo County	6,963,104,058	49.49	23,990,194,773	29.02
Total District	$14,069,832,362	100.00%		
San Luis Obispo County	$14,069,832,362	100.00%	$50,731,544,227	27.73%

Source: California Municipal Statistics, Inc.

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Tax Levies, Collections and Delinquencies

The following table shows secured tax levies and delinquencies within the District, and amounts delinquent as of June 30, for fiscal years 2007-08 through 2016-17. For the 1% general purpose property tax apportionment, the delinquency rates shown below represent countywide delinquencies.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2007-08 through 2016-17
Lucia Mar Unified School District

	Secured Tax Charge[1]	Amt. Del. June 30[1]	% Del. June 30[1]
2007-08	$40,597,302.01	$1,509,316.26	3.72%
2008-09	45,795,585.14	1,866,523.38	4.08
2009-10	42,245,027.52	1,507,386.20	3.57
2010-11	41,828,811.25	1,185,720.14	2.83
2011-12	41,147,808.25	793,478.30	1.93
2012-13	41,091,912.14	592,221.21	1.44
2013-14	42,649,987.74	509,454.30	1.19
2014-15	45,668,275.82	510,878.16	1.12
2015-16	48,293,082.93	456,265.58	0.94
2016-17	51,468,761.15	484,107.28	0.94

	Secured Tax Charge[2]	Amt. Del. June 30[2]	% Del. June 30[2]
2007-08	$2,449,055.92	$89,996.49	3.67%
2008-09	3,119,813.88	120,598.42	3.87
2009-10	3,085,619.38	97,014.75	3.14
2010-11	3,112,855.32	83,092.74	2.67
2011-12	3,130,641.10	52,909.63	1.69
2012-13	4,151,158.80	54,849.66	1.32
2013-14	4,383,931.52	52,905.10	1.21
2014-15	4,779,696.64	57,062.62	1.19
2015-16	5,034,951.56	51,391.26	1.02
2016-17	5,234,308.98	41,413.27	0.79

(1) 1% General fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.
(2) General obligation bond service levy only.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

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

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

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

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

Tax Rates

A representative tax rate area ("TRA") located within the District is TRA 1-000. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA during the five-year period from fiscal years 2013-14 through 2017-18.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES
Fiscal Years 2013-14 through 2017-18
Lucia Mar Unified School District

TRA 1-000 (2017-18 Assessed Valuation: $1,956,965,077)

	2013-14	2014-15	2015-16	2016-17	2017-18
County General Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
State Water Project	.004000	.004000	.003740	.004000	.004000
City of Arroyo Grande	.008170	.006060	.005560	--	--
Lucia Mar Unified School District	.039940	.040940	.040940	.039940	.081940
San Luis Obispo Community College District	--	--	.019250	.019250	.019250
San Luis Obispo County Flood Zone 3	.009920	.009920	.009820	.008820	.007320
Total Tax Rate	1.062030%	1.060920%	1.079310%	1.072010%	1.112510%

Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2017-18 secured assessed valuations.

20 LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2017-18
Lucia Mar Unified School District

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total[1]
1.	Pismo Beach Mobile Home Park Inc.	Mobile Home Park	$66,176,944	0.48%
2.	Sphear Investments LLC	Shopping Center	50,586,422	0.36
3.	Phillips 66 Company	Oil & Gas Production	37,870,364	0.27
4.	Teixeira Brothers Land LP	Agricultural	35,778,885	0.26
5.	Prime Outlets at Pismo Beach LLC	Commercial	30,624,323	0.22
6.	Heber D. Perrett, Trustee	Agricultural	27,911,751	0.20
7.	Core Pismo LLC	Hotel/Motel	25,142,196	0.18
8.	Laetitia Vineyard & Winery Inc.	Vineyards	22,851,883	0.16
9.	Vons Companies Inc.	Supermarket	21,086,890	0.15
10.	Castleback Pismo Beach Owner LLC	Hotel/Motel	17,261,769	0.12
11.	Monarch Dunes LLC	Residential Land	16,648,998	0.12
12.	Bolsa Chica Mobile Estates Inc.	Mobile Home Park	16,620,644	0.12
13.	Pismo Coast Plaza LLC	Shopping Center	15,768,651	0.11
14.	Jafroodi Properties LP	Agricultural	15,692,134	0.11
15.	Pismo Shore Cliff Inc.	Hotel/Motel	15,392,904	0.11
16.	Manfred G. Freutel, Trustee	Apartments	15,218,383	0.11
17.	Grand & Elm Properties LP	Shopping Center	14,416,110	0.10
18.	Pismo Coast Village Inc.	Commercial	14,378,074	0.10
19.	Lakota Resources	Agricultural	14,079,368	0.10
20.	Henry F. Myers, Trustee	Hotel/Motel	13,951,309	0.10
			$487,458,002	3.51%

[1] The District has a fiscal year 2017-18 local secured assessed valuation of $13,872,568,585.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of May 1, 2018 for debt issued as of April 20, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Lucia Mar Unified School District

2017-18 Assessed Valuation: $14,069,832,362

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/18
San Luis Obispo County Flood Control and Water Conservation District, Zone No. 3	89.270%	$7,074,648
San Luis Obispo Community College District	27.626	36,583,731
Lucia Mar Unified School District	**100.000**	**55,861,576**[1]
City of Grover Beach	100.000	27,575,000
Nipomo Community Services District 1915 Act Bonds	100.000	144,750
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$127,239,705
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
San Luis Obispo County Certificates of Participation	27.734%	$6,689,441
San Luis Obispo County Pension Obligation Bonds	27.734	24,063,238
Lucia Mar Unified School District Certificates of Participation	**100.000**	**20,643,590**
City of Pismo Beach General Fund Obligations	81.747	8,007,119
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$59,403,388
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$8,645,000
COMBINED TOTAL DEBT		$195,288,093[2]

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($55,861,576)..0.40%
Total Direct and Overlapping Tax and Assessment Debt 0.90%
Combined Direct Debt ($76,505,166) 0.54%
Combined Total Debt..1.39%

Ratio to Redevelopment Incremental Valuation ($575,937,554):
Total Overlapping Tax Increment Debt 1.50%

(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.

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax 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*, 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) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. 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 legislature of the State (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.

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

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% 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 calculate 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 of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

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

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% 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. Under the State Constitution, such property is assessed by the State Board of Equalization as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The State electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIIIB of the California Constitution

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

(a) "change in the cost of living" with respect to school districts to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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

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

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 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 are, instead of being returned to taxpayers, is transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article 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 State 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 minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into K-14 school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article 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, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in the State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote 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 placed 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 a high school or elementary 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 of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See "— Article XIIIA of the California Constitution" herein.

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. See also "DISTRICT FINANCIAL INFORMATION – State Dissolution of Redevelopment Agencies" herein.

Jarvis vs. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State). The Court of Appeal held that 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 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, 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 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 Proposition 30. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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 are allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds are 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

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

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

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

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

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1,"

(iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as "Proposition 51") is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no guarantee that it will either pursue or qualify for Proposition 51 State facilities funding.

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

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

The District makes no guarantees that it will receive Proposition 51 State facilities funding.

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. 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.

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

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

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

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.

(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

Source: Lucia Mar Unified School District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the fiscal year 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97, as amended by SB 91, 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 State categorical program funding. State allocations are 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 is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be 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 will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be 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. Following full implementation of the LCFF, and 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. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families who 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 separately herein). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such district's percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2017-18.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2017-18
Lucia Mar Unified School District

	Average Daily Attendance[1]						
Fiscal Year	K-3	4-6	7-8	9-12	Total District ADA	Total District Enrollment[2]	% of EL/LI Enrollment
2013-14	3,053	2,206	1,584	3,363	10,206	10,634	53.56%
2014-15	3,080	2,259	1,504	3,430	10,273	10,710	51.61
2015-16	3,022	2,319	1,473	3,418	10,232	10,703	52.53
2016-17	2,965	2,320	1,550	3,322	10,158	10,649	48.30
2017-18	2,959	2,272	1,570	3,215	10,029[3]	10,550	51.25

(1) Reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
(2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and is used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the current fiscal year and the two immediately preceding fiscal years.
(3) Includes Extended Year Special Education ADA not included in the grade spans.
Source: Lucia Mar Unified School District.

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

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

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid 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 basic aid district.

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

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

Support and Intervention. AB 97, as amended by SB 91, establishes 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 applicable 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. In addition, school districts may receive additional local revenues beyond local property tax collections, such as interest earnings, interagency services, parcel taxes, foundation revenues, Developer Fees (as described below), redevelopment revenue, and other local sources.

Developer Fees. The District receives developer fees (the "Developer Fees") for residential and commercial development within the District's boundaries. The Developer Fees are deposited into the District's Capital Facilities Fund. The District received $1,907,703, $2,466,904, $2,160,545 and $2,315,177 in Developer Fees in fiscal years 2013-14, 2014-15, 2015-16 and 2016-17, respectively, and has projected receipt of $1,715,000 in Developer Fees in fiscal year 2017-18. 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.

State Dissolution of Redevelopment Agencies

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

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

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

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

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

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

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

Budget Process

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

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

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

A school district whose budget has been disapproved must revise and readopt its budget by September 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 school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district's budget is approved, the school 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 the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

Budgeting Trends. The table on the following page summarizes the District's general fund adopted budgets for fiscal years 2014-15 through 2017-18, audited ending results for fiscal years 2014-15 through 2016-17, and projected totals for fiscal year 2017-18.

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GENERAL FUND BUDGETING
Fiscal Years 2014-15 through 2017-18
Lucia Mar Unified School District

	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18	
	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[2]	Projected[2]
REVENUES								
Local Control Funding Formula	$75,730,103	$76,342,143	$85,720,928	$85,587,347	$90,266,094	$90,495,799	$92,161,446	$92,508,308
Federal sources	6,114,161	4,852,047	5,317,626	5,290,579	4,754,373	4,818,678	5,098,396	5,125,459
Other State sources	4,134,997	6,928,835	10,339,536	13,506,555	10,035,920	11,248,485	7,908,797	11,905,504
Other local sources	3,596,405	5,054,122	3,280,457	5,070,003	2,807,439	5,196,208	3,051,358	3,559,176
Total Revenues[3]	89,575,666	93,177,147	104,658,547	109,454,484	107,863,826	111,759,170	108,219,998	113,098,447
EXPENDITURES								
Certificated salaries	46,312,596	45,800,539	45,616,450	47,436,434	48,887,311	50,575,726	49,917,704	52,426,471
Classified salaries	13,155,403	13,851,271	14,160,587	15,031,098	15,790,415	16,094,698	16,492,469	17,008,175
Employee benefits	17,964,158	19,398,291	19,270,046	22,888,607	24,486,190	25,798,113	26,764,166	28,132,867
Books and supplies	3,410,095	4,024,334	3,782,603	7,080,253	8,643,444	6,474,066	5,591,363	8,201,568
Services and operating expenditures	8,142,746	7,027,587	9,068,962	7,402,470	11,487,818	7,844,744	9,689,215	11,275,705
Capital outlay	41,960	685,780	73,621	660,541	2,845,100	1,027,333	684,294	2,819,886
Other outgo	1,288,569	1,719,203	2,198,244	1,109,109	2,364,320	1,384,413	--	--
Excluding transfers of indirect costs	--	--	--	--	--	--	2,578,027	2,720,596
Transfers of indirect costs	--	--	--	--	--	--	(226,552)	(224,961)
Debt service								
Principal	252,998	252,998	454,279	454,278	422,031	422,030	--	--
Interest	295,657	295,657	575,909	565,908	558,759	558,758	--	--
Total Expenditures[3]	90,864,182	93,055,660	95,200,701	102,628,698	115,485,388	110,179,881	111,490,685	122,360,306
Excess (Deficiency) of Revenues Over Expenditures	(1,288,516)	121,487	9,457,846	6,825,786	(7,621,562)	1,579,289	(3,270,688)	(9,261,859)
Other Financing Sources (Uses)								
Transfers in	--	--	--	--	--	--	--	--
Transfers out	--	--	--	--	--	--	--	--
Other sources	--	--	--	--	--	--	--	--
Contributions	--	--	--	--	--	--	--	--
Total Other Financing Sources (Uses)	--	--	--	--	--	--	--	--
NET CHANGE IN FUND BALANCES	(1,288,516)	121,487	9,457,846	6,825,786	(7,621,562)	1,579,289	(3,270,688)	(9,261,859)
Fund Balance – Beginning	14,622,623	14,622,623	14,744,110	14,744,110	21,569,896	21,569,896	23,149,184	23,149,184
Fund Balance – Ending	$13,334,107	$14,744,110	$24,201,956	$21,569,896	$13,948,334	$23,149,185	$19,878,497	$13,887,326

(1) From the District's audited financial statements for fiscal years 2014-15 through 2016-17, respectively.
(2) From the District's fiscal year 2017-18 Second Interim Financial Report, approved by the Board on March 20, 2018. Reflects combined unrestricted and restricted general fund. All amounts rounded to nearest whole number.
(3) On behalf payments of $2,215,355 and $2,962,735 are included in the actual revenues and expenditures for fiscal years 2014-15 and 2015-16, respectively, but have not been included in the budgeted amounts for such years.
Source: Lucia Mar Unified School District.

Accounting Practices

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

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

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

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2017 and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 602 Orchard Street, Arroyo Grande, California 93420, telephone: (805) 474-3000. The audited financial statements for the year ended June 30, 2017 are attached hereto as APPENDIX B.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2012-13 through fiscal year 2016-17.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE[1]
Fiscal Years 2012-13 through 2016-17
Lucia Mar Unified School District

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
REVENUES					
Revenue limit/LCFF sources[2]	$56,452,875	$69,597,009	$76,342,143	$85,587,347	$90,495,799
Federal sources	6,728,929	7,232,468	4,852,047	5,290,579	4,818,678
Other state sources	14,456,302	8,369,068	6,928,835	13,506,555	11,248,485
Other local sources	4,787,787	4,269,895	5,054,122	5,070,003	5,196,208
Total Revenues	82,425,893	89,468,440	93,177,147	109,454,484	111,759,170
EXPENDITURES					
Current					
Instruction	53,217,014	57,687,013	61,227,679	66,381,097	70,898,970
Instruction-related activities:					
Supervision of instruction	1,101,589	1,305,605	1,638,657	1,746,460	2,958,206
Instructional library, media, and technology	505,758	514,824	517,078	660,059	714,020
School site administration	5,824,834	5,979,120	6,190,215	6,832,738	7,358,503
Pupil services:					
Home-to-school transportation	1,905,113	1,942,147	2,031,779	2,203,019	2,310,696
Food services	13,720	--	--	1,461	7,490
All other pupil services	3,746,046	3,862,210	5,052,479	5,895,292	6,815,047
Administration:					
Data processing	1,281,182	1,336,171	1,357,214	2,798,114	1,625,931
All other administration	2,822,057	3,220,351	3,374,606	3,530,900	3,784,383
Plant services	7,020,431	7,332,546	7,591,157	8,594,266	9,270,555
Facilities acquisition and maintenance	--	5,278	321,894	434,788	589,691
Ancillary services	880,369	930,529	1,183,442	1,103,666	1,205,380
Community services	112,770	114,449	134,161	145,391	117,733
Other outgo	4,246,653	5,027,170	1,886,644	1,281,261	1,542,488
Debt service					
Principal	--	--	252,998	454,278	422,030
Interest and other	--	--	295,657	565,908	558,758
Total expenditures	82,677,536	89,257,413	93,055,660	102,628,698	110,179,881
Excess (Deficiency) of Revenues Over (Under) Expenditures	(251,643)	211,027	121,487	6,825,786	1,579,289
Other Financing Sources (Uses)					
Transfers In	--	--	--	--	--
Transfers Out	--	--	--	--	--
Net Financing Sources (Uses)	--	--	--	--	--
NET CHANGE IN FUND BALANCE	(251,643)	211,027	121,487	6,825,786	1,579,289
Fund Balance – Beginning	14,663,239	14,411,596	14,622,623	14,744,110	21,569,896
Fund Balance – Ending	$14,411,596	$14,622,623	$14,744,110	$21,569,896	$23,149,185

(1) From the District’s comprehensive audited financial statements for fiscal years 2012-13 through 2016-17, respectively. Reflects combined unrestricted and restricted general fund. All amounts rounded to nearest whole number.

(2) Prior to fiscal year 2013-14, reflects revenue limit sources. Beginning in fiscal year 2013-14, reflects LCFF sources. See “— State Funding of Education” herein.

Source: Lucia Mar Unified School District

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The 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.*

2017-18 Budget. On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18 (the "2017-18 Budget"). The following information is drawn from the LAO's preliminary review of the 2017-18 Budget.

For fiscal year 2016-17, the 2017-18 Budget projected total general fund revenues and transfers of $118.5 billion and total expenditures of $121.4 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of $7.4 billion, including $642 million in the traditional general fund reserve and $6.7 billion in the BSA. For fiscal year 2017-18, the 2017-18 Budget projected total general fund revenues of $125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorized expenditures of $125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of $9.9 billion, including $1.4 billion in the traditional general fund reserve and $8.5 billion in the BSA.

With respect to education funding, the 2017-18 Budget revised the Proposition 98 minimum funding guarantees for both fiscal years 2015-16 and 2016-17, as a result of lower-than-estimated general fund revenue collections. The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at $68.7 billion, a decrease of $379 million from the prior year. However, total Proposition 98 funding exceeded the minimum guarantee by $53 million as a result of various adjustments related to the LCFF and community college apportionments. The 2017-18 Budget revised the minimum funding guarantee for fiscal year 2016-17 at $71.3 billion, reflecting a decrease of $558 million from the prior year. Total spending, however, exceed the minimum funding guarantee by approximately $29 million, as a result of a $514 million "settle up" payment related to an obligation created by understating the minimum guarantee in a prior year.

For fiscal year 2017-18, the 2017-18 Budget set the minimum funding guarantee at $74.5 billion, reflecting an increase of $3.1 billion (or 4.4%) from the revised prior-year level. Fiscal year 2017-18 is projected to be a "Test 2" year, with the change in the minimum funding guarantee attributable to a 3.7% increase in per capita personal income and a projected 0.05% decline in K-12 attendance. With respect to K-12 education, the 2017-18 Budget set Proposition 98 funding at $64.7 billion, including $45.7 billion from the State general fund, reflecting an increase of $2.7 billion (or 4.3%) from the prior year. Per-pupil spending increased 4.3% to $10,863.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – approximately $1.4 billion in Proposition 98 funding to continue the implementation of the LCFF. Total LCFF funding for school districts and charter schools is set at $57.4 billion, a 2.7% increase from the prior year. The 2017-18 Budget projected that this funding would bring LCFF implementation to approximately 97%. As a result, the adjusted 2017-18 Base Grants are as follows: (i) $7,941 for grades K-3, (ii) $7,301 for grades 4-6, (iii) $7,518 for grades 7-8, and (iv) $8,939 for grades 9-12. See also

"DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein

- *Discretionary Funding* – An increase of $877 million in one-time Proposition 98 funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.

- *Maintenance Factor; Settle Up Payment* – The 2017-18 Budget provided for an additional maintenance factor payment of $536 million, after which the State's outstanding obligation would be approximately $900 million. The 2017-18 Budget also provided $603 million to fund a settle-up payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee. This reduces the State's total settle up obligation to approximately $440 million.

- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The 2017-18 Budget provided $200 million as the final installment of funding for this program. The 2017-18 Budget also provided the California Department of Education with $15.4 million in on-going Proposition 98 funding to support efforts linking secondary and postsecondary CTE.

- *K-12 Educational Mandates* – $3.5 million to fund a 1.56% COLA to the block grant program for State mandated K-12 educational programs and activities. The 2017-18 Budget established a statutory COLA for these programs moving forward. The 2017-18 Budget also provided $61 million to fund a 1.56% COLA to several other categorical programs.

- *Teacher Workforce Initiative* – The 2017-18 Budget funded a variety of teacher recruitment and training programs, including (i) $25 million in one-time Proposition 98 funding for grants to assist classified school employees secure bachelor's degrees and teaching credentials; (ii) $11 million in federal Title II funds to establish a program to help local educational agencies attract and support teachers, principals and other school leaders; and (iii) $5 million in one-time Proposition 98 funding for a new program that would encourage teachers to obtain bilingual credentials and teach in bilingual settings.

- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The 2017-18 Budget allocated $423 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.

- *After School Safety and Education Safety Program* – an increase of $50 million in Proposition 98 funding (for a total of $600 million) to increase per-child reimbursement rates for providers of local after school education and enrichment programs.

- *Proposition 56* – Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by $2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine products. The 2017-18 Budget allocated $32 million of Proposition 56 revenues to support these programs.

- *Charter School Facility Grant Program* – Under this program, the State provides certain charter schools with grants to defray the cost of renting and leasing school facilities. The 2017-18 Budget increased the per-student funding rate to $1,117 and provides an ongoing COLA for the program moving forward.

- *Equity and Improvement Program* – $2.5 million in one-time Proposition 98 funding for two or more county offices of education to assist local educational agencies in closing achievement gaps in public schools.

- *Proposition 51* – a total allocation of $593 million in Proposition 51 bond funds for K-12 school facility projects.

- *Refugee Students* – $10 million in one-time Proposition 98 funding for the State Department of Social Services to provide grants to school districts that serve notable numbers of refugee students.

For additional information regarding the 2017-18 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2018-19 Budget. On January 10, 2018, the Governor released his proposed State budget for fiscal year 2018-19 (the "Proposed Budget"). The following information is drawn from the Department of Finance's summary of the Proposed Budget and the LAO's overview of the Proposed Budget.

The Governor indicates that despite the Proposed Budget projecting a one-time surplus, the State will continue to face uncertain times. While the Proposed Budget assumes continued expansion of the State economy, the Governor states that the State's primary short-term fiscal goal should continue to be fully funding the BSA to prepare for a future recession. Accordingly, the Proposed Budget includes a $3.5 billion supplemental deposit to the BSA, in addition to the $1.5 billion mandatory deposit.

The Proposed Budget projects, for fiscal year 2017-18, total general fund revenues and transfers of $127.3 billion and total expenditures of $126.5 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $12.6 billion, including $4.2 billion in the traditional general fund reserve and $8.4 billion in the BSA. For fiscal year 2018-19, the Proposed Budget projects total general fund revenues of $129.8 billion and authorizes expenditures of $131.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $15.7 billion, including $2.3 billion in the traditional general fund reserve and $13.5 billion in the BSA. The Governor estimates that the projected ending balance of $13.5 billion in the BSA at the end of the 2018-19 fiscal year is equal to the BSA's current constitutional maximum of 10% of the estimated general fund revenues for fiscal year 2018-19. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2."

The Proposed Budget contains a total of $6.3 billion in new Proposition 98 spending proposals for K-12 education, community colleges, and preschool, of which $3.9 billion are ongoing and $2.4 billion are for one-time activities. For fiscal year 2017-18, the Proposed Budget revises the minimum funding guarantee at $75.2 billion, reflecting an increase of $687 million from the level set by the 2017-18 Budget. For fiscal year 2018-19, the Proposed Budget sets the minimum funding guarantee at $78.3 billion, reflecting a year-to-year increase of $3.1 billion. Fiscal year 2018-19 is projected to be a "Test 3" year, with the change in the minimum funding guarantee attributable to a 4.1% increase in per capita general fund revenue. With respect to K-12 education, ongoing Proposition 98 per-pupil expenditures in fiscal year 2018-19 are set at $11,628, an increase of $463 (or 4.1%) over the revised level for fiscal year 2017-18.

Significant proposals with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $2.9 billion in Proposition 98 funding to fully implement the LCFF, as well as provide a 2.51% COLA to the adjusted Base Grants for the prior fiscal year.

- *One-Time Discretionary Funding* – An increase of $1.8 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Career Technical Education (CTE)* – An increase of $212 million in Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education.

- *Categorical Programs* – An increase of $133.5 million in Proposition 98 funding to support a 2.51% COLA for categorical programs that remain outside of the LCFF.

- *Special Education* – An increase of $125 million in Proposition 98 funding and $42.2 million federal Temporary Assistance for Needy Families funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5 year olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs. The Proposed Budget also provides an increase of $10 million in Proposition 98 funding for special education local plan areas to support county offices of education in providing technical assistance to local educational agencies through the state system of support. Total funding is offset by a decrease of $10.2 million in Proposition 98 funding to reflect a projected decrease in special education average daily attendance.

- *State System of Support* – An increase of $59.2 million in Proposition 98 funding for county offices of education to provide technical assistance to local educational agencies.

- *California Collaborative for Educational Excellence* – An increase of $6.5 million in Proposition 98 funding for the California Collaborative for Educational Excellence to help build capacity within county offices of education to provide technical assistance.

- *County Offices of Education* – An increase of $6.2 million in Proposition 98 funding for county offices of education to reflect a 2.51% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- *Local Property Tax Adjustments* – Total revised Proposition 98 funding for school districts and county offices of education reflects a decrease of $514 million in fiscal year 2017-18 and $1.1 billion in fiscal year 2018-19 as a result of increased offsetting property taxes.

- *ADA Adjustments* – Total revised funding for school districts reflects a decrease of $183.1 million in fiscal year 2017-18 and $135.5 million in fiscal year 2018-19 as a result of projected declines in average daily attendance.

For additional information regarding the Proposed Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. The information presented on such website is not incorporated herein by reference.

May Revision. On May 11, 2018, the Governor released his May revision to the Proposed Budget (the "May Revision"). The following information is drawn from the Department of Finance's summary of the May Revision and the LAO's overview of the May Revision.

The Governor indicates that, since the publication of the Proposed Budget, State revenues have continued to grow. Capital gains revenues, in particular, are projected to be at an all-time high. The May Revision assumes the continued expansion of the State economy and a balanced budget through the forecast period. The Governor, however, maintains that the State's primary short-term fiscal goal should be to fully fund the BSA in the event of a future recession.

The May Revision projects, for fiscal year 2017-18, total general fund revenues and transfers of $135.5 billion and total expenditures of $127 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the May Revision projects total general fund revenues of $142 billion and authorizes expenditures of $137.6 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $17 billion, including $3.2 billion in the traditional general fund reserve and $13.8 billion in the BSA.

Compared to the Proposed Budget, the May Revision includes $727 million in additional Proposition 98 funding across the three fiscal-year period of 2016-17 to 2018-19. For fiscal year 2017-18, the May Revision revises the minimum funding guarantee at $75.6 billion, a net increase of $407 million over the Proposed Budget. For fiscal year 2018-19, the May Revision sets the minimum funding guarantee at $78.4 billion, a net increase of $68 million from the Proposed Budget. Under the May Revision, the year-to-year increase in Proposition 98 funding, from 2017-18 to 2018-19, is $2.8 billion (or 3.7%).

With respect to K-12 education, the May Revision sets the fiscal year 2018-19 minimum funding guarantee at $67.9 billion, an increase of $140 million from the level set in the Proposed Budget. The year-to-year increase in K-12 education funding is $2.2 billion (or 3.4%). Proposition 98 funding per student in fiscal year 2018-19 is $11,428, an increase of $404 (or 3.7%) over the revised level for fiscal year 2017-18.

Significant changes or additions to K-12 education proposals include the following:

- *Local Control Funding Formula* – An increase of $277 million in Proposition 98 funding to fully implement the LCFF, for a total of $3.2 billion. The May Revision calculates that this amount is sufficient to also provide a 3% COLA to the adjusted Base Grants for the prior fiscal year. As part of the May Revision, the Governor also proposes to continually appropriate the LCFF COLA, in lieu of the annual budget authorization.
- *One-Time Discretionary Funding* – An increase of $286 million in one-time Proposition 98 funding, for a total of approximately $2.09 billion, for school districts, charter schools and county offices of education to use at local discretion.
- *Charter Schools* – $21.1 million in one-time funding to backfill a fiscal year 2017-18 shortfall in the Charter School Facility Grant Program (CSFGP), which helps some charter schools in privately leased facilities cover rent and certain other facilities costs. The May Revision also reduces the funding for this program for fiscal 2018-19 included in the

Proposed Budget by $3.6 million, resulting in a year-to-year augmentation to the program of $24.8 million.

- *Student Support* – $15 million to fund a pilot program, to be developed by the Butte and Orange County offices of education, to test new strategies for addressing student support issues such as bullying and student trauma.
- *Career Technical Education (CTE)* – An additional $2 million in Proposition 98 funding for a new K-12 CTE program included in the Proposed Budget.

For additional information regarding the May Revision, see the State Department of Finance website at www.dof.ca.gov and the LAO website at www.lao.ca.gov. The information presented on such websites is not incorporated herein by reference

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

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

Introduction

The District was established as a unified school district in 1965, and is located about 15 miles south of the City of San Luis Obispo. The District encompasses approximately 550 square miles in the County. The District operates 11 elementary schools, three middle schools, three high schools, one continuation high school and one adult education program. For fiscal year 2017-18, the District has an ADA of 10,029 students, and taxable property within the District has an assessed valuation of $14,069,832,362.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Lucia Mar Unified School District, Attention: Superintendent, 602 Orchard Street, Arroyo Grande, California 93420.

Administration

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

BOARD OF EDUCATION
Lucia Mar Unified School District

Name	Office	Term Expires
Chad Robertson	President	December 2018
Vern Dahl	Vice President	December 2018
Colleen Martin	Clerk	December 2018
Vicki Meagher	Member	December 2020
Mark Millis	Member	December 2018
Dee Santos	Member	December 2020
Don Stewart	Member	December 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Assistant Superintendent, Business follow:

Raynee J. Daley, Ed.D., Superintendent. Dr. Daley was appointed to serve as the Superintendent of the District in 2015. Immediately prior thereto, she served as the District's Assistant Superintendent, Business Service. Dr. Daley's previous positions include Deputy Superintendent/Chief Business Official, Assistant Superintendent of Human Resources, Associate Principal, and Counselor. She began her career as a reading teacher and trained as a Marriage and Family Counselor. Dr. Daley received a Bachelor of Science Degree in Psychology from the University of California, Davis, a Master's Degree in Psychology from California State University, Stanislaus, and a Doctorate in Organizational Leadership from the University of LaVerne. She has also completed the Chief Business Official certificate program through the University of Southern California.

Andy Stenson, Assistant Superintendent, Business. Mr. Stenson was appointed to serve as the Assistant Superintendent, Business of the District in 2015. Immediately prior thereto, he served as the Principal of Mesa Middle School in the District. Mr. Stenson has previously held the positions of Assistant Superintendent of Curriculum, Principal, Assistant Principal and teacher, all at the District. Mr. Stenson earned a Bachelor's Degree in Elementary Education from Winona State University and a Master's Degree in Education Administration from Chapman University.

District Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 24:1 in grades K-3, 28:1 in grades 4-6, 28:1 in grades 7-8 and 28:1 in grades 9-12. The following table shows enrollment figures for the District for fiscal years 2010-11 through 2017-18.

HISTORICAL ENROLLMENT
Fiscal Years 2010-11 through 2017-18
Lucia Mar Unified School District

Fiscal Year	Enrollment[1]	Change in Enrollment
2010-11	10,564	--
2011-12	10,591	27
2012-13	10,567	(24)
2013-14	10,634	67
2014-15	10,710	76
2015-16	10,703	(7)
2016-17	10,649	(54)
2017-18	10,550	(99)

[1] For fiscal years 2010-11 through 2012-13, reflects certified enrollment as of the October report submitted to the California Basic Educational Data System ("CBEDS"). For fiscal years 2013-14 through 2017-18, reflects CALPADS enrollment.
Source: Lucia Mar Unified School District.

Labor Relations

The District currently employs approximately 677 full-time certificated employees, approximately 209 full-time classified employees, and approximately 245 part-time employees. District employees are represented by two bargaining units as noted below:

BARGAINING UNITS
Lucia Mar Unified School District

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Lucia Mar Unified Teachers Association	597	June 30, 2018
California School Employees Association, Local 275	451	June 30, 2018

Source: Lucia Mar Unified School District.

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District Retirement Systems

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

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

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. While the contribution rate for employees hired after the Implementation Date (defined below) remained unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, member contribution rates for such members will increase to 10.205% of creditable compensation effective July 1, 2018.

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

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

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

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

The District's contribution to STRS was $3,189,120 in fiscal year 2012-13, $3,417,194 in fiscal year 2013-14, $3,942,703 in fiscal year 2014-15, $4,913,554 in fiscal year 2015-16, and $6,131,903 in fiscal year 2016-17, and in each such year was equal to 100% of the required contributions. The District has projected a contribution of $7,308,194 to STRS in fiscal year 2017-18.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18 and 7.328% for fiscal year 2018-19. 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.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18 and will be 18.062% for fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "— California Public Employees' Pension Reform Act of 2013" herein.

The District's contribution to PERS was $1,344,282 in fiscal year 2012-13, $1,446,436 in fiscal year 2013-14, $1,656,718 in fiscal year 2014-15, $1,254,228 in fiscal year 2015-16, and $2,265,125 in fiscal year 2016-17, and in each such year was equal to 100% of the required contributions. The District has projected a contribution of $2,473,069 to PERS in fiscal year 2017-18.

For further information about the District's contributions to STRS and PERS, see "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2010-11 through 2016-17

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

PERS

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

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 18, 2018, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2018-19 and released certain actuarial information to be incorporated into the June 30, 2017 actuarial valuation to be released in summer 2018.

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), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by $10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and will go into effect July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

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

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2018 actuarial valuation, (iii) and certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

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

On April 18, 2018, the PERS Board established the employer contribution rates for 2018-19 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer of 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

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

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

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

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2017, are as shown in the following table.

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
STRS	$74,446,154	$13,112,993	$3,890,674	$7,069,447
PERS	25,163,543	7,669,296	756,015	2,894,411
Total	$99,609,697	$20,782,289	$4,646,689	$9,963,858

Source: Lucia Mar Unified School District.

For additional information, see "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

Other Post-Employment Benefits

Benefits Plan. The District administers a single-employer defined benefit healthcare plan (the "Plan") that provides medical, dental and vision insurance benefits (the "Benefits") to eligible retirees and their spouses. Eligible employees generally include certificated employees who have attained eligibility under STRS and have completed at least 10 years of continuous service at the District and classified employees who have attained age 55 and completed at least 10 years of consecutive service at the District. Eligible certificated and classified employees may retire and receive a District contribution towards medical, dental, vision and cancer coverage (including dependents), subject to an annual cap of $10,000, up to age 65. Management employees are eligible for the same retiree health benefits as certificated and classified groups.

As of June 30, 2017, membership of the Plan consisted of 152 retirees and beneficiaries under age 65, 113 retirees and beneficiaries over age 65 currently receiving the Benefits, and 959 active Plan members who may become eligible for, but are not yet receiving, the Benefits. For more information regarding the Plan and the Benefits, see "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Funding Policy. The contribution requirements of the Plan members and the District are established and may be amended by the District, the District's labor groups, and unrepresented groups. The District's funding policy for the Benefits is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund the Benefits as determined annually by the Board. The District contributed $1,565,899 towards the Benefits in fiscal year 2016-17, of which $1,243,468 was used for current premiums and $322,431 was an implicit subsidy. The District has projected a contribution of $1,271,919 towards the Benefits in fiscal year 2017-18.

Under GASB Statement No. 45, the District is required to recognize an implicit rate subsidy because retirees and current employees in the District's health insurance plan are insured together as a group, and it is assumed that the premiums paid for the retirees insurance coverage is lower than they would have been if the retirees were insured separately.

Accrued Liability. The District has implemented *GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the Benefits. The most recent of these studies, dated August 9, 2016, with a valuation date of July 1, 2015, determined that the Unfunded Actuarial Accrued Liability (the "UAAL") with respect to the Benefits was approximately $15,385,160. The Study also concluded that the annual required contribution (the "ARC") for fiscal year 2016-17 was $1,699,868. The ARC is the amount that would be necessary to fund the value of future Benefits earned by current employees during each fiscal year and the amount necessary to amortize the UAAL, in accordance with the GASB Statements Nos. 43 and 45. The ARC is expected to increase each year based on covered payroll.

Net Obligation. As of June 30, 2017, the District recognized a net long-term balance sheet liability (the "Net OPEB Obligation") of $3,301,550, based on its contributions towards the ARC during fiscal year 2016-17, as adjusted for interest on the prior fiscal year's Net OPEB Obligation and any adjustments to the actuarially determined ARC. See also "— District Debt Structure – Long Term Debt" herein and "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Early Retirement Incentives

During fiscal year 2014-15, the District adopted the Public Agency Retirement Services ("PARS") for employees to mitigate layoffs and benefit from projected net savings to the District. PARS offers retirement incentives that supplement STRS and PERS to all eligible classified and certificated employees who wish to voluntarily separate from the District, and qualifying under the relevant subsections of Section 403(b) of the Internal Revenue Code of 1986, as amended. As of June 30, 2017, there were 39 retirees participating in the PARS plan and the District's obligation to those retirees was $858,222. The District's future payments with respect to PARS are as shown in the following table.

Year ending June 30	Annuity Premium	PARS Fees	Total
2018	$429,111	$23,601	$452,712
2019	429,111	23,601	452,712
Total	$858,222	$47,202	$905,424

Source: Lucia Mar Unified School District.

Risk Management

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

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

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

See also "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

Participation in Public Entity Risk Pools and Joint Power Authorities

The District is a member of the SIPE, SISC II, and SISC III public entity risk pools, and the Central California Schools Financing Authority ("CCSFA") joint powers authority ("JPA"). The District pays an annual premium to the applicable entity for its workers' compensation, property and liability and health coverage. Payments for tax collections are exchanged with CCSFA. The relationship between the District and the pools and the JPA are such that they are not component units of the District for financial reporting purposes.

See also "APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 15" attached hereto.

District Debt Structure

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

Long-Term Obligations. A schedule of changes in long-term debt for the fiscal year ended June 30, 2017, is shown below:

SCHEDULE OF LONG TERM DEBT
As of June 30, 2017
Lucia Mar Unified School District

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
General obligation bonds	$31,333,696	$35,556,070	$3,710,000	$63,179,766
Premium on issuance	721,064	2,364,619	150,338	2,935,345
Certificates of participation	7,730,000	--	320,000	7,410,000
Discount on issuance	(44,213)	--	(4,248)	(39,965)
Capital leases	13,956,443	--	422,030	13,534,413
Accumulated vacation	749,291	57,707	--	806,998
Supplemental Early Retirement Program - PARS	1,287,333	--	429,111	858,222
OPEB obligation - net	3,225,085	1,828,871	1,752,406	3,301,550
	$58,958,699	$39,807,267	$6,779,637	$91,986,329

Source: Lucia Mar Unified School District.

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

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

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

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

The 2016 Authorization was approved by voters at an election held on November 8, 2016, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance of $170,000,000 principal amount of general obligation bonds of the District. On March 30, 2017, the District issued its first series of bonds under the 2016 Authorization, its Election of 2016 General Obligation Bonds, Series A, in an aggregate principal amount of $35,000,000 (the “2016 Series A Bonds”). The Bonds represent the second series of bonds issued under the 2016 Authorization, and, following the issuance thereof, $85,000,000 of the 2016 Authorization will remain unissued.

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

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COMBINED DEBT SERVICE SCHEDULE
Lucia Mar Unified School District

Year Ending August 1	1997 Series B Bonds	2004 Series A Bonds	2005 Refunding Bonds	2006 Refunding Bonds	2016 Series A Bonds	The Bonds	Total Annual Debt Service
2018	$199,500.00	--	$2,547,887.50	$2,602,337.50	$7,311,750.00	--	$12,661,475.00
2019	212,000.00	--	2,677,350.00	2,667,900.00	6,200,550.00	$2,514,165.94	14,271,965.94
2020	233,500.00	--	2,809,737.50	2,753,750.00	1,104,550.00	6,191,231.26	13,092,768.76
2021	243,500.00	--	2,954,262.50	2,810,000.00	1,104,550.00	5,240,981.26	12,353,293.76
2022	262,500.00	--	3,099,612.50	270,000.00	1,104,550.00	1,863,231.26	6,599,893.76
2023	1,200,000.00	--	--	--	1,104,550.00	1,941,631.26	4,246,181.26
2024	--	--	--	--	1,104,550.00	2,021,831.26	3,126,381.26
2025	--	--	--	--	1,104,550.00	2,106,581.26	3,211,131.26
2026	--	--	--	--	1,104,550.00	2,196,581.26	3,301,131.26
2027	--	$950,000.00	--	--	1,104,550.00	2,281,331.26	4,335,881.26
2028	--	2,625,000.00	--	--	1,444,550.00	2,260,831.26	6,330,381.26
2029	--	--	--	--	1,497,550.00	2,340,081.26	3,837,631.26
2030	--	--	--	--	1,547,050.00	2,424,081.26	3,971,131.26
2031	--	--	--	--	1,603,050.00	2,507,331.26	4,110,381.26
2032	--	--	--	--	1,660,050.00	2,593,475.00	4,253,525.00
2033	--	--	--	--	1,717,800.00	2,684,975.00	4,402,775.00
2034	--	--	--	--	1,776,050.00	2,779,475.00	4,555,525.00
2035	--	--	--	--	1,839,550.00	2,879,075.00	4,718,625.00
2036	--	--	--	--	1,902,800.00	2,977,675.00	4,880,475.00
2037	--	--	--	--	1,970,550.00	3,080,075.00	5,050,625.00
2038	--	--	--	--	2,042,300.00	3,190,875.00	5,233,175.00
2039	--	--	--	--	2,112,550.00	3,299,475.00	5,412,025.00
2040	--	--	--	--	2,186,050.00	3,416,150.00	5,602,200.00
2041	--	--	--	--	2,262,300.00	3,536,900.00	5,799,200.00
2042	--	--	--	--	2,340,800.00	3,660,900.00	6,001,700.00
2043	--	--	--	--	2,425,000.00	3,787,400.00	6,212,400.00
2044	--	--	--	--	2,507,800.00	3,921,000.00	6,428,800.00
2045	--	--	--	--	2,594,000.00	4,059,400.00	6,653,400.00
2046	--	--	--	--	2,683,200.00	4,202,000.00	6,885,200.00
2047	--	--	--	--	--	5,283,200.00	5,283,200.00
Total	$2,351,000.00	$3,575,000.00	$14,088,850.00	$11,103,987.50	$60,461,700.00	$91,241,941.06	182,822,478.56

Source: Lucia Mar Unified School District.

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

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

On April 7, 2011, the District executed and delivered its Certificates of Participation (2011 Projects) Series A (Tax-Exempt) (Bank Qualified) in an aggregate principal amount of $4,245,000 (the "2011A Certificates") and its Certificates of Participation (2011 Projects) Series B (Qualified Zone Academy Bonds – Direct Payment to District) (Federally Taxable) in an aggregate principal amount of $2,445,000 (the "2011B Certificates," and together with the 2004B Certificates and the 2011A

Certificates, the "Certificates"). A portion of the net proceeds of the 2011A Certificates was used to prepay the then-outstanding 1997 Certificates.

Each of the 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 following table shows annual lease payments due from the District in connection with its Certificates, assuming no further optional prepayments.

COMBINED ANNUAL LEASE PAYMENTS
Lucia Mar Unified School District

Year Ending (May 1)	2004B Certificates	2011A Certificates	2011B Certificates[(1)]	Total Annual Lease Payments
2019	$292,593.76	$145,062.50	$183,737.50	$621,393.76
2020	289,550.00	145,062.50	1,103,737.50[(2)]	1,538,350.00
2021	291,262.50	145,062.50	118,187.50	554,512.50
2022	292,487.50	145,062.50	118,187.50	555,737.50
2023	293,225.00	145,062.50	118,187.50	556,475.00
2024	288,475.00	145,062.50	118,187.50	551,725.00
2025	288,481.26	145,062.50	118,187.50	551,731.26
2026	293,000.00	145,062.50	1,633,338.54[(3)]	2,071,401.04
2027	291,500.00	465,062.50	--	756,562.50
2028	289,500.00	482,062.50	--	771,562.50
2029	292,000.00	492,093.76	--	784,093.76
2030	288,750.00	505,437.50	--	794,187.50
2031	--	516,812.50	--	516,812.50
2032	--	530,650.00	--	530,650.00
2033	--	132,187.50	--	132,187.50
Total	$3,490,825.02	$4,284,806.26	$3,511,751.04	$11,287,382.32

(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 expects 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 cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Hiring Incentives to Restore Employment Act. However, the Subsidy Payment is 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 Payment by 6.6% through the end of the current federal fiscal year (September 30, 2018). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

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

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

Source: Lucia Mar Unified School District.

Capital Lease. On October 22, 2013, the District executed and delivered a privately placed energy equipment lease (the "Capital Lease"). The District's liability with respect to the Capital Lease, as of June 30, 2017, is summarized in the following table.

	Energy Management
Balance, July 1, 2016	$19,536,632
Payments	(980,788)
Balance, June 30, 2017	$18,555,844

Source: Lucia Mar Unified School District.

The Capital Lease has future minimum lease payments, as of June 30, 2017, as shown in the following table.

Fiscal Year	Lease Payment
2018	$1,017,035
2019	1,054,901
2020	1,047,810
2021	1,043,564
2022	1,088,913
2023-2027	6,197,173
2028-2032	7,106,448
Total	18,555,844
Less: Amount Representing Interest	(5,021,431)
Present Value of Minimum Lease Payments	$13,534,413

Source: Lucia Mar Unified School District.

TAX MATTERS

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

The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount 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. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Bonds is exempt from State of California personal income tax.

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS 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 for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render 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 continue 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 is attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

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

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

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

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

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

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights. The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2017-18 fiscal year, which would be due on April 1, 2019, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to file in a timely manner a portion of the annual report required in connection with the 1997 Series A Bonds in fiscal year 2013-14 and the annual report required in connection with the 2004B Certificates, the 2011A Certificates, and the 2011B Certificates in fiscal year 2013-14. In addition, the District failed to properly associate the fiscal year 2013-14 annual report with the CUSIPs for certain of the 1997 Series B Bonds**.** Within the past five years, the District has never filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure undertakings. Within the past five years, the District has also failed to file in a timely manner notices of certain listed events as required under its prior continuing disclosure undertakings.

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

No Litigation

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2017, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 1, 2017 of Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinion

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

MISCELLANEOUS

Rating

The Bonds have been assigned the rating of "Aa2" by Moody's. The rating reflects only the views of the rating agency, and any explanation of the significance of such rating should be obtained from the rating agency at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, NY 10007. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds.

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

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any rating changes on the Bonds. See "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agency and its website and official media outlets for the most current rating changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of $53,677,341.70, which is equal to the initial principal amount of the Bonds of $50,000,000.00, plus net original issue premium of $3,902,341.70, less $225,000.00 of underwriting discount.

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

Additional Information

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

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

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

By: /s/ Andy Stenson
Assistant Superintendent, Business

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

June 7, 2018

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 $50,000,000 Lucia Mar Unified School District Election of 2016 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Lucia Mar Unified School District (the "District") voting at an election held on November 8, 2016, and a resolution adopted by the Board of Education of the District on May 1, 2018 (the "Resolution").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. We give no opinion on the application of the corporate alternative minimum tax to an investment in the Bonds.

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

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is

not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining 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 Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

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

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

APPENDIX B

2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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LUCIA MAR
UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

LUCIA MAR UNIFIED SCHOOL DISTRICT

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JUNE 30, 2017

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucia Mar Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucia Mar Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 71, schedule of other postemployment benefits funding progress on page 72, schedule of the District's proportionate share of net pension liability on page 73, and the schedule of District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Lucia Mar Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lucia Mar Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lucia Mar Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017

LUCIA MAR UNIFIED SCHOOL DISTRICT

Engage.Challenge.Inspire

BUSINESS SERVICES DEPARTMENT

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

This section of Lucia Mar Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information from 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The fiscal year (FY) 2016-2017 unrestricted General Funds closed the year with a minimum three percent reserve for economic uncertainties.

- On November 8, 2016, our community passed a $170,000,000 Bond known as Measure I. Bond funds will provide a funding stream over the next eight to nine years for facility upgrades, modernizations, and new construction. The Bond will serve all eighteen school sites. Series A of Bond funds was issued in March 2017.

- A 3.75 percent on-schedule salary increase was given to all employees.

- Work on a Districtwide network upgrade to provide Wi-Fi to all school sites, departments continued in 2016-2017. Completion of this project is anticipated in the Fall of 2017.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $25,550,165 for the fiscal year ended June 30, 2017. Of this amount, ($70,494,755) was unrestricted deficit. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 80,229,992	$ 42,435,105
Capital assets	132,223,230	128,865,772
Total Assets	212,453,222	171,300,877
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	20,782,289	17,212,216
Liabilities		
Current liabilities	11,442,631	8,756,322
Long-term obligations	91,986,329	58,958,699
Aggregate net pension liability	99,609,697	82,893,711
Total Liabilities	203,038,657	150,608,732
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	4,646,689	16,225,772
Net Position		
Net investment in capital assets	80,105,834	80,192,061
Restricted	15,939,086	12,721,419
Unrestricted (Deficit)	(70,494,755)	(71,234,891)
Total Net Position	$ 25,550,165	$ 21,678,589

The ($70,494,755) in unrestricted deficit net position of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 654,727	$ 479,651
Operating grants and contributions	15,218,626	17,286,101
General revenues:		
Federal and State aid, not restricted to specific purposes	31,473,207	36,028,640
Property taxes	70,663,961	64,241,288
Other general revenues	12,163,980	4,860,269
Total Revenues	130,174,501	122,895,949
Expenses		
Instruction	77,272,349	70,513,503
Supervision of instruction	3,254,595	1,880,926
Instructional library, media, and technology	757,804	708,403
School site administration	8,216,116	7,400,718
Home-to-school transportation	2,794,977	2,364,048
Food services	3,702,155	3,610,115
All other pupil services	7,056,187	6,234,595
Administration	5,892,715	6,854,080
Plant services	11,033,356	10,404,670
Ancillary services	1,303,316	1,171,185
Community services	130,517	159,770
Other outgo	1,542,488	1,281,261
Debt service - interest	3,346,350	2,692,379
Total Expenses	126,302,925	115,275,653
Change in Net Position	$ 3,871,576	$ 7,620,296

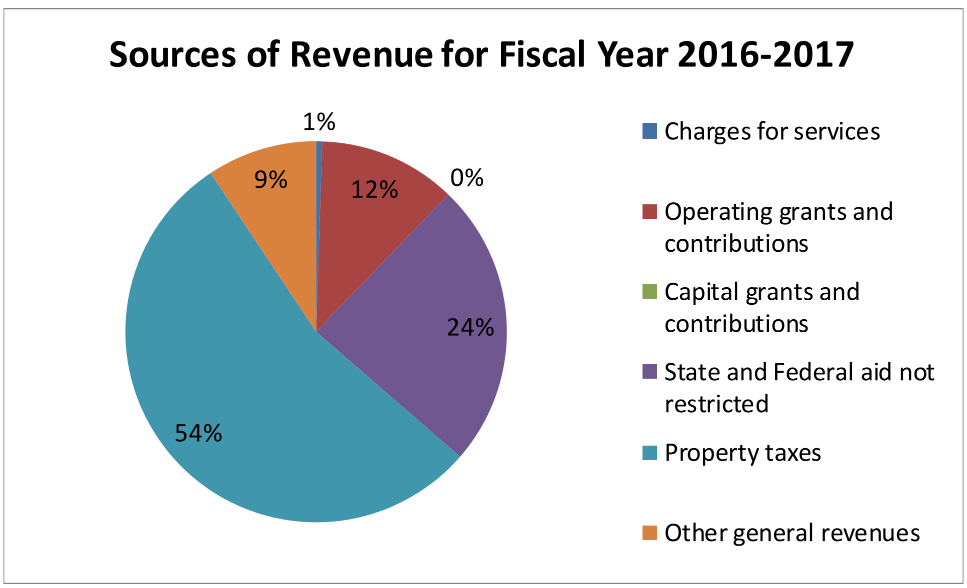
Governmental Activities

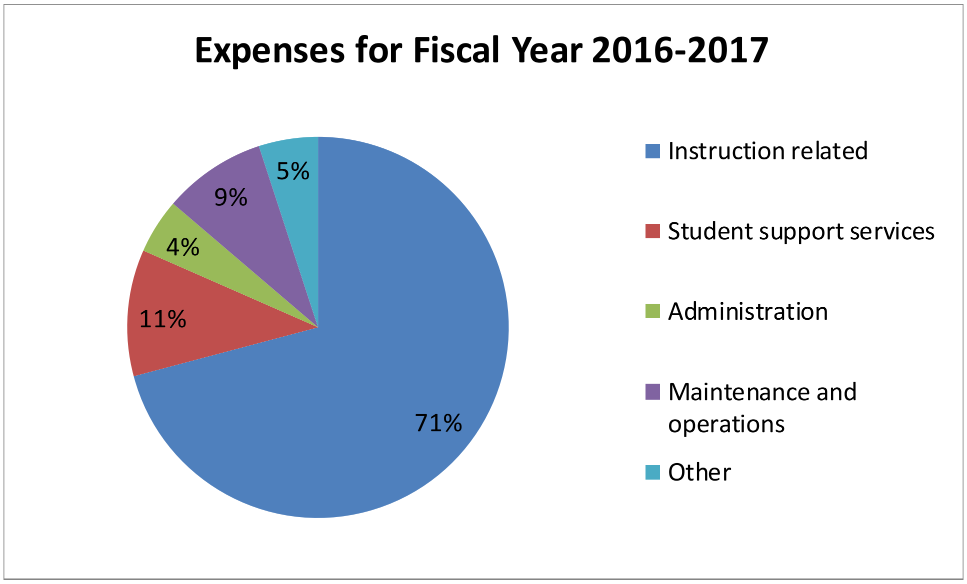
As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $126,302,925. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $70,663,961 because the cost was paid by those who benefited from the programs ($654,727) or by other governments and organizations who subsidized certain programs with grants and contributions ($15,218,626). We paid for the remaining "public benefit" portion of our governmental activities with $31,473,207 in Federal and State funds, and with $12,163,980 other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 77,272,349	$ 70,513,503	$ 67,286,786	$ 60,162,126
Instruction-related activities	12,228,515	9,990,047	10,910,539	7,860,943
Pupil services	13,553,319	12,208,758	9,787,693	7,985,269
Administration	5,892,715	6,854,080	5,602,610	6,410,255
Plant services	11,033,356	10,404,670	10,787,079	10,121,603
Other	6,322,671	5,304,595	6,054,865	4,969,705
Total	$ 126,302,925	$ 115,275,653	$ 110,429,572	$ 97,509,901





THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $69,763,071, which is an increase of $35,492,227 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	$ 21,569,896	$ 111,759,170	$ 110,179,881	$ 23,149,185
Building Fund	-	35,074,225	6,381,014	28,693,211
Bond Interest and Redemption Fund	7,579,465	8,622,766	5,067,959	11,134,272
Non-Major Governmental Funds	5,121,483	8,488,692	6,823,772	6,786,403
Total	$ 34,270,844	$ 163,944,853	$ 128,452,626	$ 69,763,071

General Fund Increase in fund balance of $1,579,289 as a result of current year revenue and expenditures. This increase is due mainly to One-Time Funding and ERATE Category II One-Time Funding.

Building Fund Building Fund net increase of $28,693,211 as a result of current year issuance of general obligation bonds.

Bond Interest and Redemption Fund Bond Interest and Redemption Fund net increase of $3,554,807 as a result of current year taxes and interest collected exceeding General Obligation Bond principal and interest payments.

Non-Major Governmental Funds Net increase in fund balance of $1,664,920 as a result of operations as follows:

- **Fund 11** Adult Education Fund net increase in fund balance of $105,869. Adult Education received new funding of $35,772 to implement the new statewide software. Adult Education spent 2016-2017 focusing on rebuilding their community class offerings.
- **Fund 13** Cafeteria Fund net decrease in fund balance of $125,323 as a result of operations. This fund invested in new software/hardware this fiscal year.
- **Fund 14** Deferred Maintenance Fund net decrease in fund balance of $234,773.
- **Funds 25 and 26** Capital Facilities and Mitigation Fee funds net increase in fund balance of $1,446,297.
- **Fund 35** County School Facilities Fund net increase in fund balance of $665 due to interest earned on the balance remaining in the fund.
- **Fund 40** Special Reserve Fund for Capital Outlay Projects net increase in fund balance of $472,348 as a result of current year operations in the Special Reserve Capital Outlay and RDA fund.
- **Fund 52** Debt Service Fund for Blended Component Units net decrease in fund balance of $163 mainly due to interest earned on the balance remaining in the fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $132,223,230 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $3,357,458, or 2.6 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land	$ 18,389,117	$ 18,389,117
Construction in progress	38,127,504	31,158,818
Buildings and improvements	73,146,971	76,901,265
Furniture and equipment	2,559,638	2,416,572
Total	$ 132,223,230	$ 128,865,772

This year's major additions included:

- Districtwide Network Upgrade
- Paulding and Judkins Maker Space renovations
- Renovations/equipment to Arroyo Grande High School Culinary Arts
- Two Chevrolet Suburban Vehicles, Sundowner, Iron Worker, and Band Saw for CTE
- Districtwide Playground Equipment

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

Long-Term Obligations

At the end of this year, the District had $91,986,329 in debt outstanding versus $58,958,699 last year, an increase of $33,027,630, or 56 percent. The debt consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds	$ 63,179,766	$ 31,333,696
Premium on issuance	2,935,345	721,064
Certificates of participation	7,410,000	7,730,000
Discount on issuance	(39,965)	(44,213)
Capitalized lease obligations	13,534,413	13,956,443
Accumulated vacation	806,998	749,291
Supplemental Early Retirement Program - PARS	858,222	1,287,333
OPEB obligation - net	3,301,550	3,225,085
Total	$ 91,986,329	$ 58,958,699

The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $63,179,766 is below the statutorily-imposed limit.

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

Net Pension Liability (NPL)

At year end, the District had a pension liability of $99,609,697, as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

ECONOMIC FACTORS AND NEXT YEARS' BUDGETS

In preparing the District budget for 2017-2018 and the multi-year projections through 2019-2020, the following assumptions and criteria were considered:

- The FY 2017-2018 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, both program rates will continue to increase each year through FY 2020-2021.
- Funding continues for Board Priorities coming from the budget realignment process in the Fall of 2015, as well as, previous Board initiatives of GATE at the elementary sites, Anti-bullying funding for each school site, and funding for Districtwide professional development.
- Mini Grant Funding for School sites for Intervention, Enrichment, and Visual and Performing Arts.
- The District funds Other Postemployment Benefits (OPEB) on a pay as you go basis. Expenditures of approximately $1.2 million are budgeted.

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 Andy Stenson, Assistant Superintendent, Business, at Lucia Mar Unified School District, 602 Orchard Street, Arroyo Grande, California, 93420, or e-mail at andy.stenson@lmusd.org.

LUCIA MAR UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 76,744,821
Receivables	2,672,523
Prepaid expenditures	669,935
Stores inventories	142,713
Capital Assets	
Land and construction in process	56,516,621
Other capital assets	149,201,668
Less: Accumulated depreciation	(73,495,059)
Total Capital Assets	132,223,230
Total Assets	212,453,222
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	20,782,289
Total Deferred Outflows of Resources	20,782,289
LIABILITIES	
Accounts payable	9,931,224
Accrued interest payable	975,710
Unearned revenue	535,697
Long-Term Obligations	
Current portion of long-term obligations other than pensions	5,064,957
Noncurrent portion of long-term obligations other than pensions	86,921,372
Total Long-Term Obligations	91,986,329
Aggregate net pension liability	99,609,697
Total Liabilities	203,038,657
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,646,689
Total Deferred Inflows of Resources	4,646,689
NET POSITION	
Net investment in capital assets	80,105,834
Restricted for:	
Debt service	10,218,905
Capital projects	2,071,226
Educational programs	3,044,367
Other activities	604,588
Unrestricted (Deficit)	(70,494,755)
Total Net Position	$ 25,550,165

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 77,272,349	$ 273,734	$ 9,711,829	$ (67,286,786)
Instruction-related activities:				
Supervision of instruction	3,254,595	4,520	423,432	(2,826,643)
Instructional library, media, and technology	757,804	-	17,471	(740,333)
School site administration	8,216,116	290,841	581,712	(7,343,563)
Pupil services:				
Home-to-school transportation	2,794,977	-	-	(2,794,977)
Food services	3,702,155	-	2,496,107	(1,206,048)
All other pupil services	7,056,187	40,119	1,229,400	(5,786,668)
Administration:				
Data processing	1,694,112	28	67	(1,694,017)
All other administration	4,198,603	21,159	268,851	(3,908,593)
Plant services	11,033,356	4,556	241,721	(10,787,079)
Ancillary services	1,303,316	-	39,100	(1,264,216)
Community services	130,517	7,645	18,504	(104,368)
Interest on long-term obligations	3,346,350	-	-	(3,346,350)
Other outgo	1,542,488	12,125	190,432	(1,339,931)
Total Governmental Activities	$ 126,302,925	$ 654,727	$ 15,218,626	(110,429,572)

General revenues and subventions:	
Property taxes, levied for general purposes	63,579,448
Property taxes, levied for debt service	6,206,356
Taxes levied for other specific purposes	878,157
Federal and State aid not restricted to specific purposes	31,473,207
Interest and investment earnings	246,583
Miscellaneous	11,917,397
Subtotal, General Revenues	114,301,148
Change in Net Position	3,871,576
Net Position - Beginning	21,678,589
Net Position - Ending	$ 25,550,165

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 28,562,163	$ 30,410,860	$ 11,134,272
Receivables	2,226,156	-	-
Due from other funds	330,493	-	-
Prepaid expenditures	669,935	-	-
Stores inventories	19,656	-	-
Total Assets	$ 31,808,403	$ 30,410,860	$ 11,134,272
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 8,123,521	$ 1,717,649	$ -
Due to other funds	-	-	-
Unearned revenue	535,697	-	-
Total Liabilities	8,659,218	1,717,649	-
Fund Balances:			
Nonspendable	709,591	-	-
Restricted	3,044,367	28,693,211	11,134,272
Committed	-	-	-
Assigned	16,089,831	-	-
Unassigned	3,305,396	-	-
Total Fund Balances	23,149,185	28,693,211	11,134,272
Total Liabilities and Fund Balances	$ 31,808,403	$ 30,410,860	$ 11,134,272

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

Non-Major Governmental Funds	Total Governmental Funds
$ 6,637,526	$ 76,744,821
446,367	2,672,523
-	330,493
-	669,935
123,057	142,713
$ 7,206,950	$ 80,560,485
$ 90,054	$ 9,931,224
330,493	330,493
-	535,697
420,547	10,797,414
123,057	832,648
4,453,806	47,325,656
119,674	119,674
2,089,866	18,179,697
-	3,305,396
6,786,403	69,763,071
$ 7,206,950	$ 80,560,485

LUCIA MAR UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 69,763,071**
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:	$ 205,718,289	
Accumulated depreciation is:	(73,495,059)	
Net Capital Assets		132,223,230
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(975,710)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	8,397,028	
Net change in proportionate share of net pension liability	1,479,981	
Differences between projected and actual earnings on pension plan investments	9,823,006	
Differences between expected and actual experience in the measurement of the total pension liability	1,082,274	
Total Deferred Outflows of Resources Related to Pensions		20,782,289
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(2,074,645)	
Differences between projected and actual earnings on pension plan investments	(14,746,819)	
Differences between expected and actual experience in the measurement of the total pension liability	12,930,790	
Changes in assumptions	(756,015)	
Total Deferred Outflows of Resources Related to Pensions		(4,646,689)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(99,609,697)

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017

Long-term obligations, including general obligation bonds, certificates of participation, capital leases and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds	$ 58,688,463	
Unamortized premium on issuance	2,935,345	
Certificates of participation	7,410,000	
Discount on issuance	(39,965)	
Capital leases payable	13,534,413	
Accumulated vacation	806,998	
Supplemental Early Retirement Program - PARS	858,222	
OPEB obligation	3,301,550	
In addition, the District has issued "capital appreciation" general obligation bonds. The accretion of interest on the general obligation bonds to date is:	4,491,303	
Total Long-Term Obligations		$ (91,986,329)
Total Net Position - Governmental Activities		**$ 25,550,165**

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 90,495,799	$ -	$ -
Federal sources	4,818,678	-	-
Other State sources	11,248,485	-	41,356
Other local sources	5,196,208	74,225	6,216,791
Total Revenues	111,759,170	74,225	6,258,147
EXPENDITURES			
Current			
Instruction	70,898,970	-	-
Instruction-related activities:			
Supervision of instruction	2,958,206	-	-
Instructional library, media, and technology	714,020	-	-
School site administration	7,358,503	-	-
Pupil services:			
Home-to-school transportation	2,310,696	-	-
Food services	7,490	-	-
All other pupil services	6,815,047	-	-
Administration:			
Data processing	1,625,931	-	-
All other administration	3,784,383	-	-
Plant services	9,270,555	-	-
Facility acquisition and construction	589,691	6,214,760	-
Ancillary services	1,205,380	-	-
Community services	117,733	-	-
Other outgo	1,542,488	-	-
Debt service			
Principal	422,030	-	2,621,954
Interest and other	558,758	166,254	2,446,005
Total Expenditures	110,179,881	6,381,014	5,067,959
Excess of Revenues Over Expenditures	1,579,289	(6,306,789)	1,190,188
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources	-	35,000,000	2,364,619
Transfers out	-	-	-
Net Financing Sources (Uses)	-	35,000,000	2,364,619
NET CHANGE IN FUND BALANCES	1,579,289	28,693,211	3,554,807
Fund Balance - Beginning	21,569,896	-	7,579,465
Fund Balance - Ending	$ 23,149,185	$ 28,693,211	$ 11,134,272

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

Non-Major Governmental Funds	Total Governmental Funds
$ 382,383	$ 90,878,182
2,768,107	7,586,785
212,262	11,502,103
4,623,650	16,110,874
7,986,402	126,077,944
223,682	71,122,652
-	2,958,206
-	714,020
231,480	7,589,983
-	2,310,696
3,496,279	3,503,769
-	6,815,047
-	1,625,931
158,384	3,942,767
931,581	10,202,136
490,326	7,294,777
-	1,205,380
-	117,733
-	1,542,488
320,000	3,363,984
469,750	3,640,767
6,321,482	127,950,336
1,664,920	(1,872,392)
502,290	502,290
-	37,364,619
(502,290)	(502,290)
-	37,364,619
1,664,920	35,492,227
5,121,483	34,270,844
$ 6,786,403	$ 69,763,071

LUCIA MAR UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ 35,492,227**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	$ 7,793,737	
Depreciation expense	(4,436,279)	
Net Expense Adjustment		3,357,458
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits earned were less than amounts used by $429,111. Vacation used was less than amounts earned by $57,707.		371,404
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(1,566,830)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Sale of general obligation bonds		(35,000,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Premium on issuance		(2,364,619)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		3,710,000
Certificates of participation		320,000
Capital lease obligations		422,030

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 150,338	
Amortization of debt discount	(4,248)	
Combined adjustment		$ 146,090
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by $383,649, and second, $556,070 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(939,719)
In the Statement of Activities, other postemployment benefits (OPEB) obligation are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by $76,465.		(76,465)
Change in Net Position of Governmental Activities		**$ 3,871,576**

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

LUCIA MAR UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Associated Student Bodies
ASSETS	
Deposits and investments	$ 1,044,003
LIABILITIES	
Due to student groups	$ 1,044,003

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues 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 and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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 approving a development (*Education Code* Sections 17620-17626. Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

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

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county investment pool are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations 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.

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

Deferred Outflows/Inflows of Resources

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

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

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.

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $15,939,086 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$ 76,744,821
Fiduciary funds	1,044,003
Total Deposits and Investments	$ 77,788,824

Deposits and investments as of June 30, 2017, consisted of the following:

Cash on hand and in banks	$ 1,441,258
Cash in revolving	20,000
Investments	76,327,566
Total Deposits and Investments	$ 77,788,824

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Authorized Under Debt Agreements

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

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Reported Amount	Maturity Date
Money Market - Treasury Obligations	$ 13	26*
San Luis Obispo County Investment Pool	76,327,553	251*
Total	$ 76,327,566	

*Weighted average days to maturity

Credit Risk

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

Investment Type	Minimum Legal Rating	Fitch Rating June 30, 2017	Reported Amount
Money Market - Treasury Obligations	Not Required	AAAmmf	$ 13
San Luis Obispo County Investment Pool	Not Required	AAAf/S1	76,327,553
Total			$ 76,327,566

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Uncategorized
County Pool	$ 76,327,553	$ 76,327,553

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 487,936	$ 414,180	$ 902,116
State Government			
State principal apportionment	-	25,653	25,653
Categorical aid	622,140	-	622,140
Lottery	639,169	-	639,169
Local Government			
Other local sources	476,911	6,534	483,445
Total	$ 2,226,156	$ 446,367	$ 2,672,523

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 18,389,117	$ -	$ -	$ 18,389,117
Construction in progress	31,158,818	7,079,787	111,101	38,127,504
Total Capital Assets Not Being Depreciated	49,547,935	7,079,787	111,101	56,516,621
Capital Assets Being Depreciated:				
Land improvements	4,905,136	-	-	4,905,136
Buildings and improvements	129,608,842	111,101	-	129,719,943
Furniture and equipment	13,862,639	713,950	-	14,576,589
Total Capital Assets Being Depreciated	148,376,617	825,051	-	149,201,668
Less Accumulated Depreciation:				
Land improvements	3,522,543	182,658	-	3,705,201
Buildings and improvements	54,090,170	3,682,737	-	57,772,907
Furniture and equipment	11,446,067	570,884	-	12,016,951
Total Accumulated Depreciation	69,058,780	4,436,279	-	73,495,059
Governmental Activities Capital Assets, Net	$ 128,865,772	$ 3,468,559	$ 111,101	$ 132,223,230

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

Governmental Activities	
Instruction	$ 2,681,562
Supervision of instruction	75,384
Instructional library, media, and technology	33,875
School site administration	215,795
Home-to-school transportation	119,604
Food services	175,449
All other pupil services	156,366
Ancillary services	42,930
Community services	10,756
All other general administration	113,707
Data processing	52,049
Plant services	758,802
Total Depreciation Expenses Governmental Activities	$ 4,436,279

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds are as follows:

Due To	Due From Non-Major Governmental Funds
General Fund	$ 330,493

The balance of $330,493 is due to the General Fund from the Cafeteria Non-Major Governmental Fund for cash flow.

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer To	Transfer From Non-Major Governmental Funds
Non-Major Governmental Funds	$ 502,290

The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Debt Service for Blended Component Units Non-Major Governmental Fund for debt service.	$ 207,592
The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of cost.	3,748
The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service for Blended Component Units Non-Major Governmental Fund for debt service.	290,950
Total	$ 502,290

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

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 1,985,778	$ -	$ 90,054	$ 2,075,832
State principal apportionment	224,087	-	-	224,087
Salaries and benefits	5,913,656	-	-	5,913,656
Construction	-	1,717,649	-	1,717,649
Total	$ 8,123,521	$ 1,717,649	$ 90,054	$ 9,931,224

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund
Federal financial assistance	$ 3,161
State categorical aid	532,536
Total	$ 535,697

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 31,333,696	$ 35,556,070	$ 3,710,000	$ 63,179,766	$ 3,995,022
Premium on issuance	721,064	2,364,619	150,338	2,935,345	-
Certificates of participation	7,730,000	-	320,000	7,410,000	340,000
Discount on issuance	(44,213)	-	(4,248)	(39,965)	-
Capital leases	13,956,443	-	422,030	13,534,413	475,824
Accumulated vacation	749,291	57,707	-	806,998	-
Supplemental Early Retirement Program - PARS	1,287,333	-	429,111	858,222	429,111
OPEB obligation - net	3,225,085	1,828,871	1,752,406	3,301,550	-
	$ 58,958,699	$ 39,807,267	$ 6,779,637	$ 91,986,329	$ 5,239,957

- 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 for Blended Component Units Fund.
- Payments for the Accumulated Vacation are typically liquidated in the fund in which the employee was paid.
- Payments for the OPEB obligation are made in the General Fund.
- Payments for the Capital Leases are made in the General Fund.
- Payments for the Supplemental Early Retirement Program are made in the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Accretion	Redeemed	Bonds Outstanding June 30, 2017
08/09/97	2018	5.15% - 5.60%	$ 21,749,593	$ 3,319,479	$ -	$ 115,543	$ 1,675,000	$ 1,760,022
02/20/02	2024	2.00% - 5.50%	2,249,576	1,925,464	-	49,235	100,000	1,874,699
06/17/04	2029	3.00% - 8.00%	21,349,802	1,401,131	-	111,330	-	1,512,461
02/10/05	2023	2.00% - 5.25%	12,175,000	12,075,000	-	-	10,000	12,065,000
03/15/06	2023	4.00% - 11.90%	19,537,198	12,612,622	-	279,962	1,925,000	10,967,584
03/30/17	2047	4.00% - 5.00%	35,000,000	-	35,000,000	-	-	35,000,000
				$ 31,333,696	$ 35,000,000	$ 556,070	$ 3,710,000	$ 63,179,766

1997 General Obligation Bonds, Series A

In August 1997, the qualified electorate of the Lucia Mar Unified School District approved the issuance and sale of General Obligation Bonds of $24,000,000. The first issuance of Current Interest Bonds, Series A, in the amount of $16,110,000 and Capital Appreciation Bonds, Series A in the amount of $5,639,593 occurred in August 1997. The proceeds of $21,477,990 after issuance costs were used to fund capital projects. Payments are collected by the County Tax Assessor and remitted to a trustee. The bonds mature each August 1 through August 2017, with semi-annual interest payments due August and February. At June 30, 2017, the principal balance outstanding was $1,760,022.

The bonds mature through 2018 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Future Interest Accretion	Total
2018	$ 1,760,022	$ 24,978	$ 1,785,000

1997 General Obligation Bonds, Series B

In February 2002, as authorized by the approved resolution, the District issued additional Current Interest Bonds, Series B, in the amount of $1,970,000 and Capital Appreciation Bonds, Series B, in the amount of $279,576. These bonds mature each August 1 through August 2023, with semi-annual interest payments due August and February. At June 30, 2017, the principal balance outstanding was $1,874,699.

The bonds mature through 2024 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Interest and Future Interest Accretion	Total
2018	$ 125,000	$ 55,750	$ 180,750
2019	150,000	49,500	199,500
2020	170,000	42,000	212,000
2021	200,000	33,500	233,500
2022	220,000	23,500	243,500
2023-2024	1,009,699	452,801	1,462,500
Total	$ 1,874,699	$ 657,051	$ 2,531,750

2004 General Obligation Bonds, Series A

In June 2004, the qualified electorate of the Lucia Mar Unified School District approved the issuance and sale of General Obligation Current Interest Bonds, Series A, in the amount of $20,790,000 and General Obligation Capital Appreciation Bonds, Series A, in the amount of $559,802. The bonds were issued in June 2004. The proceeds of $21,823,711 after net issuance costs and premiums are being used to fund capital projects. Payments are collected by the County Tax Assessor and remitted to a trustee. The bonds mature each August 1 through August 2028, with semi-annual interest payments due August and February. At June 30, 2017, the principal balance outstanding was $1,512,461.

The bonds mature through 2029 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Interest and Future Interest Accretion	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	-	-	-
2028-2029	1,512,461	2,062,539	3,575,000
Total	$ 1,512,461	$ 2,062,539	$ 3,575,000

2005 General Obligation Refunding Bonds

In February 2005, the District issued $12,175,000 of General Obligation Refunding Bonds and used the proceeds to purchase securities to be held in trust to pay off $12,040,000 of the 1997 Current Interest Bonds, Series A, and Capital Appreciation Bonds, Series A. This advance refunding was undertaken to reduce total debt service payments through fiscal year 2023 by approximately $174,000 and resulted in an economic gain of approximately $1,150,000. The refunding bonds mature each August 1 through August 2022, with semi-annual interest payments due August and February. At June 30, 2017, the principal balance outstanding was $12,065,000, and unamortized premium was $610,131.

The bonds mature through 2023 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 10,000	$ 633,078	$ 643,078
2019	1,915,000	582,619	2,497,619
2020	2,145,000	476,044	2,621,044
2021	2,390,000	357,000	2,747,000
2022	2,660,000	224,438	2,884,438
2023	2,945,000	77,306	3,022,306
Total	$ 12,065,000	$ 2,350,485	$ 14,415,485

2006 General Obligation Refunding Bonds

In March 2006, the District issued $18,795,000 of General Obligation Current Interest Refunding Bonds, and General Obligation Capital Appreciation Refunding Bonds, in the amount of $742,198. The proceeds from the bonds were used to purchase securities to be held in trust to pay off $17,910,000 of the 2004 Current Interest Bonds, Series A, through August 2022. As a result, the refunded 2004 bonds are considered defeased and the liability has been removed from the government-wide financial statements. At June 30, 2017, $10,967,584 remains outstanding.

The bonds mature through 2023 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Interest and Future Interest Accretion	Total
2018	$ 2,100,000	$ 382,463	$ 2,482,463
2019	2,275,000	267,619	2,542,619
2020	2,460,000	143,325	2,603,325
2021	2,294,663	419,712	2,714,375
2022	1,693,013	1,116,987	2,810,000
2023	144,908	125,092	270,000
Total	$ 10,967,584	$ 2,455,198	$ 13,422,782

2016 General Obligation Refunding Bonds, Series A

In March 2017, the District issued $35,000,000 of General Obligation Bonds. The bonds mature through March 30, 2047, with interest rates from four to five percent. Proceeds from the sale of the bonds were used to finance specific construction and modernization projects approved by the voters and pay costs of issuance of the bonds. At June 30, 2017, the principal balance outstanding was $35,000,000, and unamortized premium was $2,325,214.

The bonds mature through 2047 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 1,280,713	$ 1,280,713
2019	5,780,000	1,416,150	7,196,150
2020	4,900,000	1,202,550	6,102,550
2021	-	1,104,550	1,104,550
2022	-	1,104,550	1,104,550
2023-2027	-	5,522,750	5,522,750
2028-2032	1,790,000	5,362,000	7,152,000
2033-2037	4,190,000	4,601,500	8,791,500
2038-2042	7,195,000	3,198,875	10,393,875
2043-2047	11,145,000	1,182,900	12,327,900
Total	$ 35,000,000	$ 25,976,538	$ 60,976,538

Certificates of Participation

The outstanding certificates of participation are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 1, 2016	Issued	Redeemed	Certificates Outstanding June 30, 2017
08/01/04	2030	3.00% - 5.00%	$ 12,500,000	$ 2,890,000	$ -	$ 150,000	$ 2,740,000
04/07/11	2033	3.50% - 5.75%	4,245,000	2,555,000	-	-	2,555,000
04/07/11	2026	5.75% - 7.13%	2,445,000	2,285,000	-	170,000	2,115,000
				$ 7,730,000	$ -	$ 320,000	$ 7,410,000

2004 Certificates of Participation, Series B

On August 1, 2004, the District's Financing Corporation issued $8,145,000 in Series A certificates of participation and $4,355,000 in Series B certificates of participation with interest rates ranging from three to five percent. The certificates mature each May 1 through May 1, 2030, with semi-annual interest payments due May 1 and November 1. The proceeds are being used to purchase and construct facilities to be used by the District. The District repaid $8,045,000 of the 2004 Series A certificates in February 2005, since the board elected not to construct Hidden Oaks Elementary School at that time. At June 30, 2017, the principal balance outstanding on the 2004 Series B Certificates was $2,740,000.

The certificates mature through 2030 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 155,000	$ 134,763	$ 289,763
2019	165,000	127,594	292,594
2020	170,000	119,550	289,550
2021	180,000	111,263	291,263
2022	190,000	102,488	292,488
2023-2027	1,090,000	364,681	1,454,681
2028-2030	790,000	80,250	870,250
Total	$ 2,740,000	$ 1,040,589	$ 3,780,589

2011 Certificates of Participation

On April 7, 2011 the District's Financing Corporation issued $4,245,000 in Series A certificates of participation and $2,445,000 in Series B certificates of participation with interest rates ranging from 3.50 to 7.13 percent. The certificates mature each May 1 through May 1, 2033, with semi-annual interest payments due May 1 and November 1. The proceeds are being used to refund the remaining portion of the 1998 certificates and construct facilities to be used by the District. At June 30, 2017, the principal balance outstanding on the 2011 Certificates was $4,670,000, and unamortized discount was $39,965.

The certificates mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 185,000	$ 328,801	$ 513,801
2019	195,000	328,801	523,801
2020	210,000	328,801	538,801
2021	215,000	263,251	478,251
2022	230,000	263,251	493,251
2023-2027	1,400,000	1,188,214	2,588,214
2028-2032	2,110,000	417,056	2,527,056
2033	125,000	7,188	132,188
Total	$ 4,670,000	$ 3,125,363	$ 7,795,363

Capital Leases

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

	Energy Management
Balance, July 1, 2016	$ 19,536,632
Additions	-
Payments	980,788
Balance, June 30, 2017	$ 18,555,844

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payment
2018	$ 1,017,035
2019	1,054,901
2020	1,047,810
2021	1,043,564
2022	1,088,913
2023-2027	6,197,173
2028-2032	7,106,448
Total	18,555,844
Less: Amount Representing Interest	5,021,431
Present Value of Minimum Lease Payments	$ 13,534,413

Supplemental Employee Retirement Plan (SERP)

Public Agency Retirement Services (PARS)

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

Upon retirement, PARS offers retirement incentives to eligible classified and certificated employees who wish to voluntarily exercise their option to separate from the District, which supplements CalSTRS and CalPERS and qualifies under the relevant subsections of Section 403(b) of the Internal Revenue Service. Currently, there are 39 employees participating in this plan, and the District's obligation to those retirees as of June 30, 2017, is $858,222.

Future payments are as follows:

Year Ending June 30,	Annuity Premium	PARS Fees	Total
2018	$ 429,111	$ 23,601	$ 452,712
2019	429,111	23,601	452,712
Total	$ 858,222	$ 47,202	$ 905,424

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $806,998.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $1,699,868, and contributions made by the District during the year were $1,565,899. Interest on the net OPEB obligation and adjustments to the annual required contribution were $129,003 and $(186,507), respectively, which resulted in an increase to the net OPEB obligation of $76,465. As of June 30, 2017, the net OPEB obligation was $3,301,550. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 20,000	$ -	$ -	$ -	$ 20,000
Stores inventories	19,656	-	-	123,057	142,713
Prepaid expenditures	669,935	-	-	-	669,935
Total Nonspendable	709,591	-	-	123,057	832,648
Restricted					
Legally restricted programs	3,044,367	-	-	604,588	3,648,955
Capital projects	-	28,693,211	-	3,788,875	32,482,086
Debt services	-	-	11,134,272	60,343	11,194,615
Total Restricted	3,044,367	28,693,211	11,134,272	4,453,806	47,325,656
Committed					
Adult education program	-	-	-	116,429	116,429
Deferred maintenance program	-	-	-	3,245	3,245
Total Committed	-	-	-	119,674	119,674
Assigned					
LCAP carryover	404,043	-	-	-	404,043
Tech refresh carryover	636	-	-	-	636
Furniture carryover	297	-	-	-	297
Cuesta dual enrollment carryover	52,701	-	-	-	52,701
Site library funds carryover	3,777	-	-	-	3,777
CTE carryover	240,282	-	-	-	240,282
Instructional materials carryover	2,707	-	-	-	2,707
ERATE	888,298	-	-	-	888,298
One-time funds	5,438,320	-	-	-	5,438,320
Site carryover General Fund	79,652	-	-	-	79,652
Site Lottery carryover	50,346	-	-	-	50,346
Assign Lottery	203,441	-	-	-	203,441
Future board action	8,725,331	-	-	-	8,725,331
Other assignments	-	-	-	2,089,866	2,089,866
Total Assigned	16,089,831	-	-	2,089,866	18,179,697
Unassigned					
Economic uncertainties	3,305,396	-	-	-	3,305,396
Total	$ 23,149,185	$ 28,693,211	$ 11,134,272	$ 6,786,403	$ 69,763,071

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit health care plan administered by the Lucia Mar Unified School District. The Plan provides medical, vision, and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 152 under age 65 retirees, 113 over age 65 retirees and beneficiaries currently receiving benefits, and 959 active Plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $1,565,899, to the Plan, of which $1,243,468 was used for current premiums, and $322,431 was an implicit subsidy.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,699,868
Interest on net OPEB obligation	129,003
Adjustment to annual required contribution	(186,507)
Annual OPEB cost (expense)	1,642,364
Contributions made	(1,565,899)
Decrease in net OPEB obligation	76,465
Net OPEB obligation, beginning of year	3,225,085
Net OPEB obligation, end of year	$ 3,301,550

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 1,795,087	$ 1,444,415	80.46%	$ 3,239,665
2016	1,642,105	1,656,685	100.89%	3,225,085
2017	1,642,364	1,565,899	95.34%	3,301,550

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	$ -	$ 15,385,160	$ 15,385,160	0%	$ 61,607,826	25%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Health care cost trend rates ranged from an initial eight percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was four percent. The UAAL is being amortized at a level dollar method.

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, 2017, 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 2017, the District participated in Self-Insurance Program for Employees (SIPE), an insurance purchasing pool. The intent of the SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIPE. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIPE. Participation in the SIPE is limited to districts that can meet the SIPE selection criteria.

Employee Medical Benefits

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

NOTE 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, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 74,446,154	$ 13,112,993	$ 3,890,674	$ 7,069,447
CalPERS	25,163,543	7,669,296	756,015	2,894,411
Total	$ 99,609,697	$ 20,782,289	$ 4,646,689	$ 9,963,858

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $6,131,903.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:	
District's proportionate share of net pension liability	$ 74,446,154
State's proportionate share of the net pension liability associated with the District	42,380,868
Total	$ 116,827,022

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, was 0.0920 percent and 0.0953 percent, respectively, resulting in a net decrease in the proportionate share of 0.0033 percent.

For the year ended June 30, 2017, the District recognized pension expense of $7,069,447. In addition, the District recognized pension expense and revenue of $4,096,557 for support provided by the State. At June 30, 2017, 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	$ 6,131,903	$ -
Net change in proportionate share of net pension liability	1,062,657	2,074,645
Difference between projected and actual earnings on pension plan investments	5,918,433	-
Difference between expected and actual experiences in the measurement of the total pension liability	-	1,816,029
Total	$ 13,112,993	$ 3,890,674

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
2018	$ 129,120
2019	129,120
2020	3,440,406
2021	2,219,787
Total	$ 5,918,433

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2018	$ (464,678)
2019	(464,678)
2020	(464,678)
2021	(464,678)
2022	(464,678)
Thereafter	(504,627)
Total	$ (2,828,017)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 107,144,805
Current discount rate (7.60%)	74,446,154
1% increase (8.60%)	47,288,555

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically 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, 2017, 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%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $2,265,125.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $25,163,543. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.1274 percent and 0.1270 percent, respectively, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2017, the District recognized pension expense of $2,894,411. At June 30, 2017, 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	$ 2,265,125	$ -
Net change in proportionate share of net pension liability	417,324	-
Difference between projected and actual earnings on pension plan investments	3,904,573	-
Difference between expected and actual experiences in the measurement of the total pension liability	1,082,274	-
Changes of assumptions	-	756,015
Total	$ 7,669,296	$ 756,015

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
2018	$ 547,667
2019	547,668
2020	1,790,178
2021	1,019,060
Total	$ 3,904,573

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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
2018	$ 314,391
2019	297,577
2020	131,615
Total	$ 743,583

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7. 65%
Investment rate of return	7. 65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 37,544,146
Current discount rate (7.65%)	25,163,543
1% increase (8.65%)	14,854,254

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 $3,819,395 (8.58 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

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, 2017.

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, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
#0401 AGHS Security Camera Hardware	$ 27,670	December 2017
#0402 GB Modulars	3,621,228	October 2018
#0407 OC Modular Bldgs and Site Improvements	5,436,877	October 2018
#0408 AGHS Band Room	1,850,000	December 2018
#0410 NHS Water Pressure	1,260	August 2018
#04113 JU Modular Bldgs	2,925,000	April 2019
#0414 HA Covered Walkway	329,649	August 2017
#0415 DWNetwork Upgrade	193,000	December 2017
#0416 FG Utilities Upgrade	7,370	August 2017
#0417 ME Shade Structure	205,754	December 2017
#0418 NI Modular Bldgs	3,260,000	December 2018
#0419 NHS Welding Shop (Fund 21, 25, 26)	2,350,794	January 2018
#0420 OC Utilities Upgrade	598,392	September 2017
#0421 BR Electrical Upgrade	169,438	September 2017
#0422 DA Electrical Upgrade	108,299	December 2017
#0425 DA Sewer Upgrade	420,000	August 2018
#0426 DL Shade Structure	104,380	December 2017
#0427 PA Exterior Paint	180,603	September 2017
#0428 JU Parking Lot Renovation	468,313	September 2017
#0432 NI Well/Water	3,090	August 2017
#0433 AGHS Gym Roof Replacement	174,754	September 2017
#0436 AGHS Window Replacement	157,100	September 2017
#0437 ME Admin Re-Roof	174,785	September 2017
#0440 PA Parking Lot	4,658	August 2017
#0441 PA Modernization	16,956	August 2018
#0442 JU Gym Lower Roof Re-Roof	84,974	September 2017
#0443 BR Asphalt Replacement	99,500	September 2017
#0444 NI Elem Asphalt Replacement	47,692	September 2017
#0446 PA Boys/Girls Locker Room	119,019	January 2018
	$ 23,140,555	

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, 2017, the District made payments of $1,653,726, $541,550, and $13,787,856 to SIPE, SISC II, and SISC III, respectively, for workers' compensation, property liability, and health coverage for active employees.

REQUIRED SUPPLEMENTARY INFORMATION

LUCIA MAR UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 90,266,094	$ 90,371,931	$ 90,495,799	$ 123,868
Federal sources	4,754,373	5,088,506	4,818,678	(269,828)
Other State sources	10,035,920	11,650,614	11,248,485	(402,129)
Other local sources	2,807,439	4,926,827	5,196,208	269,381
Total Revenues	107,863,826	112,037,878	111,759,170	(278,708)
EXPENDITURES				
Current				
Certificated salaries	48,887,311	50,816,168	50,575,726	240,442
Classified salaries	15,790,415	16,119,209	16,094,698	24,511
Employee benefits	24,486,190	25,253,662	25,798,113	(544,451)
Books and supplies	8,643,444	8,123,937	6,474,066	1,649,871
Services and operating expenditures	11,487,818	10,408,672	7,844,744	2,563,928
Capital outlay	2,845,100	1,738,605	1,027,333	711,272
Other outgo	2,364,320	2,468,567	1,384,413	1,084,154
Debt service				
Principal	422,031	422,031	422,030	1
Interest	558,759	558,759	558,758	1
Total Expenditures	115,485,388	115,909,610	110,179,881	5,729,729
NET CHANGE IN FUND BALANCES	(7,621,562)	(3,871,732)	1,579,289	5,451,021
Fund Balances - Beginning	21,569,896	21,569,896	21,569,896	-
Fund Balances - Ending	$ 13,948,334	$ 17,698,164	$ 23,149,185	$ 5,451,021

See accompanying note to required supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2009	$ -	$ 18,129,247	$ 18,129,247	0%	$ 55,141,646	33%
July 1, 2012	-	15,701,597	15,701,597	0%	59,855,214	26%
July 1, 2015	-	15,385,160	15,385,160	0%	61,607,826	25%

See accompanying note to required supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0920%	0.0953%	0.0933%
District's proportionate share of the net pension liability	$ 74,446,154	$ 64,171,675	$ 54,507,034
State's proportionate share of the net pension liability associated with the District	42,380,868	33,939,742	32,913,700
Total	$ 116,827,022	$ 98,111,417	$ 87,420,734
District's covered-employee payroll	$ 45,792,675	$ 44,399,809	$ 41,485,906
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.57%	144.53%	131.39%
Plan (CalSTRS) fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1274%	0.1270%	0.1220%
District's proportionate share of the net pension liability	$ 25,163,543	$ 18,722,036	$ 13,850,470
District's covered-employee payroll	$ 10,586,883	$ 14,074,573	$ 12,824,541
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.69%	133.02%	108.00%
Plan (CalPERS) fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 6,131,903	$ 4,913,554	$ 3,942,703
Contributions in relation to the contractually required contribution	6,131,903	4,913,554	3,942,703
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 48,743,267	$ 45,792,675	$ 44,399,809
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 2,265,125	$ 1,254,228	$ 1,656,718
Contributions in relation to the contractually required contribution	2,265,125	1,254,228	1,656,718
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	16,307,595	10,586,883	$ 14,074,573
Contributions as a percentage of covered-employee payroll	13.89%	11.85%	11.77%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

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LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	$ 66,474
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	1,223,115
Title I, Part C - Migrant Ed (Regular and Summer Program)	84.011	14326	62,656
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	410,008
Title III Program:			
Title III - Immigrant Education Program	84.365	15146	13,323
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	161,531
Total Title III Program			174,854
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	78,760
Teacher Incentive Fund	84.374A	[1]	35,163
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,730,478
Local Assistance, Part B, Section 611, Private School ISPs	84.027	10115	11,880
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	65,297
Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	84.027A	13682	191,679
Total Special Education Cluster			1,999,334
State Improvement Grant, Improving Special Education Systems	84.323	14913	3,254
Total U.S. Department of Education			4,053,618

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	$ 515,006
National School Lunch Program	10.555	13523	1,850,157
Meal Supplement	10.555	13396	36,049
Food Distribution	10.555	13524	167,465
Total Child Nutrition Cluster			2,568,677
Child and Adult Care Food Program (Centers and Family Day Care)	10.558	13389	199,430
Forest Reserve	10.665	10044	1,867
Total U.S. Department of Agriculture			2,769,974
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	302,137
Medical Administrative Activities Program	93.778	10060	400,974
Total Medi-Cal Assistance Program			703,111
Total Federal Programs			$ 7,526,703

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The Lucia Mar Unified School District was unified in 1965, and consists of an area comprising approximately 483 square miles. The District operates eleven elementary schools, three middle schools, three high schools, one continuation high school, and one adult education program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Chad Robertson	President	2018
Vicki Meagher	Vice President	2020
Dee Santos	Clerk	2020
Vern Dahl	Member	2018
Colleen Martin	Member	2018
Mark Millis	Member	2018
Don Stewart	Member	2020

ADMINISTRATION

Raynee J. Daley, Ed.D.	Superintendent
Andy Stenson	Assistant Superintendent, Business
Chuck Fiorentino	Assistant Superintendent, Human Resources
Ron Walton	Assistant Superintendent, Curriculum
Paul Fawcett	Director, Special Education

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,961.98	2,959.84
Fourth through sixth	2,318.19	2,318.44
Seventh and eighth	1,548.02	1,544.81
Ninth through twelfth	3,316.54	3,287.40
Total Regular ADA	10,144.73	10,110.49
Extended Year Special Education		
Transitional kindergarten through third	3.52	3.52
Fourth through sixth	2.29	2.29
Seventh and eighth	1.41	1.41
Ninth through twelfth	4.22	4.22
Total Extended Year Special Education	11.44	11.44
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.89	1.01
Ninth through twelfth	1.18	1.22
Total Special Education, Nonpublic, Nonsectarian Schools	2.07	2.23
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.05	0.05
Ninth through twelfth	0.27	0.27
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.32	0.32
Total ADA	10,158.56	10,124.48

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,240	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,220	180	N/A	Complied
Grade 2		52,220	180	N/A	Complied
Grade 3		52,220	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,324	180	N/A	Complied
Grade 5		54,324	180	N/A	Complied
Grade 6		54,324	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,620	180	N/A	Complied
Grade 8		56,620	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,186	180	N/A	Complied
Grade 10		65,186	180	N/A	Complied
Grade 11		65,186	180	N/A	Complied
Grade 12		65,186	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND				
Revenues	$ 109,713,306	$ 111,759,170	$ 109,454,484	$ 93,177,147
Expenditures	111,490,685	110,179,881	102,628,698	93,055,660
INCREASE (DECREASE) IN FUND BALANCE	$ (1,777,379)	$ 1,579,289	$ 6,825,786	$ 121,487
ENDING FUND BALANCE	$ 21,371,806	$ 23,149,185	$ 21,569,896	$ 14,744,110
AVAILABLE RESERVES [2]	$ 3,344,727	$ 3,305,396	$ 3,078,861	$ 2,791,670
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.08%	3.09%	3.07%
LONG-TERM OBLIGATIONS	N/A	$ 91,986,329	$ 58,958,699	$ 63,123,120
K-12 AVERAGE DAILY ATTENDANCE AT P-2	10,132	10,159	10,233	10,273

The General Fund balance has increased by $8,405,075 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $1,777,379 (7.7 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years, but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $28,863,209 over the past two years.

Average daily attendance has decreased by 115 over the past two years. Additional decline of 26 ADA is anticipated during fiscal year 2017-2018.

1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all funds reserved for economic uncertainty contained within the General Fund.

See accompanying note to supplementary information.

LUCIA MAR UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	$ 395,003	$ 243,220	$ 35,205	$ 3,197,093
Receivables	-	446,367	-	-
Stores inventories	-	123,057	-	-
Total Assets	$ 395,003	$ 812,644	$ 35,205	$ 3,197,093
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,588	$ 31,492	$ 31,960	$ 22,420
Due to other funds	-	330,493	-	-
Total Liabilities	1,588	361,985	31,960	22,420
Fund Balances:				
Nonspendable	-	123,057	-	-
Restricted	276,986	327,602	-	3,174,673
Committed	116,429	-	3,245	-
Assigned	-	-	-	-
Total Fund Balances	393,415	450,659	3,245	3,174,673
Total Liabilities and Fund Balances	$ 395,003	$ 812,644	$ 35,205	$ 3,197,093

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ 614,202	$ 2,092,460	$ 60,343	$ 6,637,526
-	-	-	446,367
-	-	-	123,057
$ 614,202	$ 2,092,460	$ 60,343	$ 7,206,950
$ -	$ 2,594	$ -	$ 90,054
-	-	-	330,493
-	2,594	-	420,547
-	-	-	123,057
614,202	-	60,343	4,453,806
-	-	-	119,674
-	2,089,866	-	2,089,866
614,202	2,089,866	60,343	6,786,403
$ 614,202	$ 2,092,460	$ 60,343	$ 7,206,950

LUCIA MAR UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	$ -	$ -	$ 382,383	$ -
Federal sources	-	2,768,107	-	-
Other State sources	28,610	183,652	-	-
Other local sources	549,004	742,787	1,031	2,315,178
Total Revenues	577,614	3,694,546	383,414	2,315,178
EXPENDITURES				
Current				
Instruction	223,682	-	-	-
Instruction-related activities:				
School site administration	231,480	-	-	-
Pupil services:				
Food services	-	3,496,279	-	-
General administration:				
All other general administration	16,583	141,487	-	314
Plant services	-	182,103	618,187	87,291
Facility acquisition and construction	-	-	-	490,326
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	471,745	3,819,869	618,187	577,931
Excess (Deficiency) of Revenues Over (Under) Expenditures	105,869	(125,323)	(234,773)	1,737,247
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(290,950)
Net Financing Sources (Uses)	-	-	-	(290,950)
NET CHANGE IN FUND BALANCES	105,869	(125,323)	(234,773)	1,446,297
Fund Balance - Beginning	287,546	575,982	238,018	1,728,376
Fund Balance - Ending	$ 393,415	$ 450,659	$ 3,245	$ 3,174,673

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 382,383
-	-	-	2,768,107
-	-	-	212,262
4,413	890,192	121,045	4,623,650
4,413	890,192	121,045	7,986,402
-	-	-	223,682
-	-	-	231,480
-	-	-	3,496,279
-	-	-	158,384
-	44,000	-	931,581
-	-	-	490,326
-	170,000	150,000	320,000
-	-	469,750	469,750
-	214,000	619,750	6,321,482
4,413	676,192	(498,705)	1,664,920
-	3,748	498,542	502,290
(3,748)	(207,592)	-	(502,290)
(3,748)	(203,844)	498,542	-
665	472,348	(163)	1,664,920
613,537	1,617,518	60,506	5,121,483
$ 614,202	$ 2,089,866	$ 60,343	$ 6,786,403

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Administrative Activities funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2017. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 7,586,785
Medi-Cal Billing Option	93.778	(170,965)
Medi-Cal Administrative Activities Program	93.778	110,883
Total Schedule of Expenditures of Federal Awards		$ 7,526,703

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

INDEPENDENT AUDITOR'S REPORTS

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lucia Mar Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Lucia Mar Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of Lucia Mar Unified School District in a separate letter dated December 1, 2017.

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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on Compliance for Each Major Federal Program

We have audited Lucia Mar Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lucia Mar Unified School District's major Federal programs for the year ended June 30, 2017. Lucia Mar Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lucia Mar Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Lucia Mar Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Lucia Mar Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Lucia Mar Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Lucia Mar Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lucia Mar Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lucia Mar Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

Report on State Compliance

We have audited Lucia Mar Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Lucia Mar Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Lucia Mar Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Lucia Mar Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Lucia Mar Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Lucia Mar Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Lucia Mar Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, See Below
Continuation Education	No, See Below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See Below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See Below
Middle or Early College High Schools	No, See Below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, See Below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, See Below
Immunizations	Yes, See Below
CHARTER SCHOOLS	
Attendance	No, See Below
Mode of Instruction	No, See Below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, See Below
Determination of Funding for Non Classroom-Based Instruction	No, See Below
Annual Instruction Minutes Classroom-Based	No, See Below
Charter School Facility Grant Program	No, See Below

The District does offer an Independent Study Program; but it was below the threshold required for testing therefore, we did not perform procedures related to the Independent Study Program.

The District does offer a Continuation Education Program; but it was below the threshold required for testing therefore, we did not perform procedures related to the Continuation Program.

The District does not offer an Early Retirement Incentive Program during the current year, therefore, we did not perform procedures relate to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools

The District does not have a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The District does not offer a Before School Education and Safety Program: therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform procedures related to the Independent Study – Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LUCIA MAR UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.173, 84.027A	Special Education Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

LUCIA MAR UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

LUCIA MAR UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings reported in the prior year's schedule of financial statement findings.

Governing Board
Lucia Mar Unified School District
Arroyo Grande, California

In planning and performing our audit of the basic financial statements of the Lucia Mar Unified School District (the District) for the year ending June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 1, 2017, on the financial statements of the District.

CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

Arroyo Grande High School

Associated Student Body (ASB) - Bank Reconciliations

Observation

Bank reconciliations are not performed on a monthly basis. The bank statements for September were reconciled in November, and the bank statements for November were reconciled in February.

Recommendation

Timely and accurate bank account reconciliations and review are prudent and necessary. According to the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference, bank reconciliations should be performed within two weeks of receiving the bank statements on a monthly basis. Timely bank reconciliations must be performed in order to ensure that the cash balances reported on the books are accurate and that the financial institution has not made a mistake.

Arroyo Grande High School

Associated Student Body (ASB) - Prohibited Disbursement

Observation

The Associated Student Body had a prohibited disbursement for teacher meals using ASB funds.

Recommendation

According to the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference, expenditures of student funds should be for the general welfare, morale, or educational experience of students. The purchase or reimbursement of teacher meals is considered a District responsibility. Teachers should get approval for reimbursement through the District for these types of expenditures.

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Governing Board
Lucia Mar Unified School District

PRIOR YEAR OBSERVATIONS AND RECOMMENDATIONS

Mesa Middle School

Associated Student Body (ASB) - Cash Receipting Procedures

Observation

Cash deposits forwarded from teachers or advisors to the associated student body bookkeeper are not always accompanied by a cash count sheet documenting the deposit total as counted by the teacher or advisor.

Recommendation

The cash count sheet serves the same purpose as a bank deposit slip; it provides for a reconciliation process since the deposit is usually not verified with both parties present. A difference between the bookkeeper's count and the teacher's or advisor's count would warrant a recount with both parties present. This procedure decreases the number of disputes arising from deposits processed incorrectly.

Current Status

Implemented.

Observation

Pre-numbered receipts are not used to account for all cash collections and, therefore, there is no reconciliation between issued receipts and bank deposits.

Recommendation

Pre-numbered receipts should be issued for all cash collections by teachers, advisors, and the site bookkeeper in which would include a specific description of the source of the funds. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit.

Current Status

Implemented.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 1, 2017

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Lucia Mar Unified School District (the "District") in connection with the issuance of $50,000,000 of the District's Election of 2016 General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued pursuant to Resolution of the District adopted on May 1, 2018. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

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

"Official Statement" means that certain official statement, dated May 16, 2018, relating to the offering and sale of the Bonds.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, as the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2017-18 fiscal year, which would be due on April 1, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed valuation of taxable property within the District for the current fiscal year;

(f) if San Luis Obispo County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the secured *ad valorem* property tax levies, collections and delinquencies for the District for the most recently completed fiscal year; and

(g) top twenty property owners in the District for the current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value, if material.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. optional, contingent or unscheduled Bond calls.

4. defeasances.

5. rating changes.

6. 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).

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

8. unscheduled draws on credit enhancement reflecting financial difficulties.

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

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)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in

possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(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. 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.

4. release, substitution or sale of property securing repayment of the Bonds.

5. 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.

6. 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.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the

District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: June 7, 2018

LUCIA MAR UNIFIED SCHOOL DISTRICT

By: ____

Andy Stenson
Assistant Superintendent, Business

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: LUCIA MAR UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2016 General Obligation Bonds, Series B

Date of Issuance: June 7, 2018

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 CITY OF ARROYO GRANDE AND SAN LUIS OBISPO COUNTY

The following information regarding the City of Arroyo Grande (the "City"), and San Luis Obispo County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been independently verified by the District, Bond Counsel or the Underwriter.

General

City of Arroyo Grande. Incorporated in 1911, the City is located less than five miles inland from the central State of California (the "State") coastline. The City encompasses 5.45 square miles. It has a Council-Manager form of government, composed of a Mayor and four City Council members elected at large to four-year staggered terms. The City Council hires the City Manager, who serves as the administrative head of City government. The City has recently formed a Tourism Business Improvement District, which has helped to increase development.

San Luis Obispo County. Located on the central coast of the State, midway between Los Angeles and San Francisco, the County was incorporated in 1850 as one of the original 27 counties in the State. The County encompasses an area of approximately 3,616 square miles and includes seven incorporated cities. Approximately 43% of the population resides in unincorporated areas. It is a general law county governed by a five member County Board of Supervisors, the members of which are elected to four-year staggered terms in nonpartisan districts. The County Board of Supervisors hires the County Administrator, who is responsible for overseeing the day-to-day operations of the County. While the State has a major presence within the County as the largest employer, the County is also known as a tourism destination.

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Population

The following table shows historical population figures for the City, the County and the State from 2009 through 2018.

POPULATION ESTIMATES
2009 through 2018
City of Arroyo Grande, San Luis Obispo County and the State of California

Year[1]	City of Arroyo Grande	San Luis Obispo County	State of California
2009	17,201	267,537	36,966,713
2010[2]	17,252	269,637	37,253,956
2011	17,245	270,024	37,529,913
2012	17,307	271,504	37,874,977
2013	17,501	273,304	38,234,391
2014	17,600	275,625	38,568,628
2015	17,808	276,669	38,912,464
2016	17,884	278,141	39,179,627
2017	17,874	279,210	39,500,973
2018	17,912	280,132	39,809,693

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18 (2000 and 2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2007 through 2016
San Luis Obispo County, State of California, and United States

Year	San Luis Obispo County	State of California	United States
2007	$40,423	$43,692	$39,821
2008	40,080	44,162	41,082
2009	39,316	42,224	39,376
2010	39,935	43,317	40,277
2011	42,506	45,849	42,461
2012	44,384	48,369	44,282
2013	45,546	48,570	44,493
2014	47,756	51,344	46,494
2015	50,769	54,718	48,451
2016	51,442	56,374	49,246

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2014 through 2016 reflect county population estimates available as of March 2017. 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 lists the principal employers located in the County.

PRINCIPAL EMPLOYERS
2017
San Luis Obispo County

Employer Name	Number of Employees	Percentage of Total County Employment
Cal Poly State University, SLO	3,000	2.18%
County of San Luis Obispo	2,920	2.12
Atascadero State Hospital	2,000	1.45
Pacific Gas and Electric Company	1,866	1.36
California Men's Colony	1,517	1.10
Cal Poly Corporation	1,400	1.02
Tenet Healthcare	1,305	0.95
Compass Health Inc.	1,200	0.87
Lucia Mar Unified School District[1]	1,000	0.73
Paso Robles Public Schools	935	0.68

(1) For additional employment information regarding the District, see "LUCIA MAR UNIFIED SCHOOL DISTRICT – Labor Relations" in the forepart of this Official Statement.

Source: County of San Luis Obispo Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2017.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2013 through 2017[(1)]
City of Arroyo Grande, San Luis Obispo County, State of California, and United States

Year and Area	Labor Force	Employment[(2)]	Unemployment[(3)]	Unemployment Rate (%)
2013				
City of Arroyo Grande	9,300	8,800	600	5.9%
San Luis Obispo County	138,600	129,100	9,400	6.8
State of California	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Arroyo Grande	9,500	9,000	500	4.8%
San Luis Obispo County	141,000	133,200	7,800	5.6
State of California	18,827,900	17,418,800	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Arroyo Grande	9,700	9,300	400	4.0%
San Luis Obispo County	143,300	136,600	6,600	4.6
State of California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Arroyo Grande	9,500	9,100	400	3.7%
San Luis Obispo County	140,400	134,400	6,000	4.3
State of California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Arroyo Grande	9,000	8,700	300	3.0%
San Luis Obispo County	142,100	137,000	5,100	3.6
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

Note: Data are not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017 Benchmark.

Industry

The County is included in the San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area. The distribution of employment is presented in the following table for the calendar years 2013 through 2017. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
San Luis Obispo County (San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area)

Category	2013	2014	2015	2016	2017
Total Farm	4,500	4,700	5,000	4,800	5,300
Total Nonfarm	104,200	108,200	111,700	114,300	116,800
Total Private	82,700	85,300	88,100	90,400	92,700
Goods Producing	12,600	13,200	13,700	14,200	14,700
Mining, Logging and Construction	6,100	6,400	6,700	7,200	7,500
Manufacturing	6,500	6,800	7,000	7,000	7,200
Nondurable Goods	3,300	3,500	3,700	3,900	4,200
Service Providing	91,700	94,900	97,900	100,100	102,100
Private Service Providing	70,200	72,000	74,300	76,300	78,000
Trade, Transportation and Utilities	20,400	20,600	20,800	21,100	21,300
Wholesale Trade	2,600	2,800	2,800	2,900	2,900
Retail Trade	13,800	13,800	13,900	14,100	14,400
Transportation, Warehousing and Utilities	4,000	4,000	4,000	4,100	4,100
Information	1,400	1,400	1,500	1,300	1,400
Financial Activities	4,100	4,100	4,200	4,100	4,200
Professional and Business Services	9,300	9,400	10,100	10,500	10,600
Educational and Health Services	14,000	14,500	14,600	15,100	15,500
Leisure and Hospitality	16,200	16,800	17,600	18,500	19,100
Other Services	4,800	5,300	5,700	5,700	5,900
Government	21,500	22,900	23,600	23,900	24,100
Total, All Industries	108,800	112,900	116,700	119,100	122,100

Note: The "Total, All Industries" data are not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2017 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2012 through 2016 are shown in the following tables.

TAXABLE SALES
2012 through 2016
City of Arroyo Grande
(Dollars in Thousands)

Year	Retail and Food Services Outlets(1)	Retail Stores Taxable Transactions	Total Outlets(2)	Total Taxable Transactions
2012	465	$261,764	651	$284,597
2013	489	275,086	675	298,125
2014	514	282,350	695	307,854
2015	--	287,987	--	316,414
2016	--	289,336	--	319,036

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and subsequent years are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
2012 through 2016
San Luis Obispo County
(Dollars in Thousands)

Year	Retail and Food Services Outlets(1)	Retail Stores Taxable Transactions	Total Outlets(2)	Total Taxable Transactions
2012	6,386	$3,024,601	9,569	$5,025,804
2013	6,712	3,223,226	9,889	5,017,789
2014	6,987	3,376,646	10,186	5,251,315
2015	--	3,474,574	--	4,943,469
2016	--	3,533,460	--	5,019,498

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 and subsequent years are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2012 through 2016 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2012 through 2016
City of Arroyo Grande
(Dollars in Thousands)

	2012	2013	2014	2015	2016
Valuation					
Residential	$5,988	$10,134	$7,645	$5,623	$8,591
Non-Residential	2,944	7,148	6,317	13,953	2,539
Total	$8,932	$17,282	$13,962	$19,576	$11,130
Units					
Single Family	18	18	13	13	30
Multiple Family	0	36	28	0	2
Total	18	54	41	13	32

Note: Columns may not sum to totals because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2012 through 2016
San Luis Obispo County
(Dollars in Thousands)

	2012	2013	2014	2015	2016
Valuation					
Residential	$157,189	$231,203	$295,624	$287,715	$279,712
Non-Residential	158,718	157,226	116,168	144,025	157,487
Total	$315,907	388,429	$411,792	$431,740	$437,199
Units					
Single Family	345	556	728	664	531
Multiple Family	101	222	247	216	283
Total	446	778	975	880	814

Note: Columns may not sum to totals because of rounding.
Source: Construction Industry Research Board.

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APPENDIX E

SAN LUIS OBISPO COUNTY INVESTMENT POOL

The following information concerning the San Luis Obispo County (the "County") Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer"), and has not been confirmed or verified by the District or the Underwriter. Neither the District nor the Underwriter has made an independent investigation of the investments in the Investment Pool nor any assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: http://www.slocounty.ca.gov/tax.htm. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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QUARTERLY REPORT OF INVESTMENTS
Quarter Ending March 31, 2018

DESCRIPTION

This is a summary of the Treasurer's investment operations for the quarter ending March 31, 2018, and a statement of compliance to the currently adopted County Treasurer's Investment Policy.

SUMMARY

As of March 31, 2018, the Combined Pool of Investments totals were:

Cash on Hand/Banks	$	15,527,234.09
Investments:		
Principal Cost	$	972,895,742.62
Market Value	$	967,236,430.20
Weighted Average Days to Maturity		377

The details of each investment held by the Treasury as of March 31, 2018, can be found on the Treasury Pool Detail Report attached to this summary. The market value information for this report came from Union Bank, Broker/Dealer provided estimates, or was derived through market value calculations.

FOR FINANCIAL STATEMENT REPORTING PURPOSES ONLY					
Amortized Cost	$	973,111,697.35	Market Value	$	967,236,430.20
Cash on Hand/Banks	$	15,527,234.09	Cash on Hand/Banks	$	15,527,234.09
Accrued Interest	$	2,366,889.80	Accrued Interest	$	2,366,889.80
Total :	$	991,005,821.24	Total :	$	985,130,554.09

Participating Dollar Factor: 0.994071410052
(Derived by dividing total market value by total amount in Treasury)

The value of each participating dollar equals the agency's fund balance as of March 31, 2018, (available from the County Auditor-Controller's Office) multiplied by the participating dollar factor.
This equates to approximately a $592.86 decrease per $100,000.

SEPARATELY MANAGED FUNDS

As of March 31, 2018, the moneys being managed by contracted parties were:

Principal Cost	$	13,097,565.75
Market Value	$	13,269,406.23

The details of the funds being managed by contracted parties can be found on the Separately Managed Funds Detail Report attached to this summary.

STATEMENT OF COMPLIANCE

LIQUIDITY

The Treasury will be able to meet the expenditures of the County for the next six months due to anticipated revenues, cash flow from operations, and scheduled maturities in anticipation of expenditures. In addition, portions of the portfolio can be liquidated to meet any significant unexpected cash flow needs.

INVESTMENT

The investment portfolio as of the quarter ending March 31, 2018, was reviewed and found to be in compliance with the current County Treasurer's Investment Policy. The Treasury continues to maintain its conservative and prudent investment objectives, which in order of priority are safety, liquidity, and yield, while maintaining compliance with federal, state, and local laws and regulations.

REPORT FILING/DISTRIBUTION

In compliance with the California Government Code this report is submitted to:

Board of Supervisors
County Administrative Officer
County Treasury Oversight Committee

Respectfully submitted on April 19, 2018

/S/ JAMES P. ERB, CPA
Auditor, Controller, Treasurer, Tax Collector

JAMES P. ERB, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 03/31/2018 YEAR PORTFOLIO
AS OF: 04/01/2018 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instrument	Invest. Number	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val(incls Acc. Int)
04/01/2018	CT	CTSTF	24	100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	99,780,600.00	99,780,600.00
CALTRUST-SHORT-TERM FUND				100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	99,780,600.00	99,780,600.00
05/03/2018	EWB	CDARS - Network Banks	17-0029	13,500,000.00	13,500,000.00	0.00	13,500,000.00	13,500,000.00	13,500,000.00	13,500,000.00
05/31/2018	EWB	CDARS - Network Banks	17-0039	8,000,000.00	8,000,000.00	0.00	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00
***CDARS**				21,500,000.00	21,500,000.00	0.00	21,500,000.00	21,500,000.00	21,500,000.00	21,500,000.00
04/02/2018	ZB	FARM CR	15-0026	6,009,814.02	6,010,480.69	29,833.33	6,029,842.31	6,000,000.00	6,000,000.00	6,029,833.33
05/11/2018	UB	FARM CR	15-0044	5,994,000.00	5,994,000.00	24,033.33	6,023,814.37	6,000,000.00	5,995,620.00	6,019,653.33
06/14/2018	WF	FARM CR	16-0016	5,981,820.00	5,984,745.00	20,865.00	6,019,366.86	6,000,000.00	5,994,600.00	6,015,465.00
11/26/2018	WF	FARM CR	17-0032	5,998,674.00	5,998,674.00	25,416.67	6,024,839.42	6,000,000.00	5,974,620.00	6,000,036.67
12/14/2018	WF	FARM CR	16-0008	5,992,920.00	5,992,920.00	23,183.33	6,021,523.18	6,000,000.00	5,967,000.00	5,990,183.33
01/07/2019	WF	FARM CR	16-0020	6,019,440.00	6,020,106.67	14,000.00	6,019,457.20	6,000,000.00	5,955,120.00	5,969,120.00
04/26/2019	ZB	FARM CR	16-0025	5,986,404.24	5,986,404.24	25,833.33	6,020,991.00	6,000,000.00	5,931,840.00	5,957,673.33
09/27/2019	UB	FARM CR	17-0006	5,999,700.00	5,999,700.00	1,033.33	6,000,870.77	6,000,000.00	5,937,240.00	5,938,273.33
12/12/2019	WF	FARM CR	17-0002	6,001,680.00	6,001,680.00	26,341.67	6,027,292.91	6,000,000.00	5,917,500.00	5,943,841.67
12/19/2019	WF	FARM CR	17-0004	5,996,760.00	5,996,760.00	25,500.00	6,023,644.77	6,000,000.00	5,919,000.00	5,944,500.00
01/10/2020	WF	FARM CR	17-0024	6,016,062.00	6,040,087.00	20,925.00	6,031,328.44	6,000,000.00	5,919,240.00	5,940,165.00
03/03/2020	WF	FARM CR	17-0034	6,013,860.00	6,028,870.00	7,373.33	6,017,025.83	6,000,000.00	5,915,100.00	5,922,473.33
04/06/2020	ZB	FARM CR	17-0015	6,008,958.84	6,008,958.84	46,666.67	6,052,682.83	6,000,000.00	5,911,140.00	5,957,806.67
04/13/2020	WF	FARM CR	17-0020	6,000,000.00	6,000,000.00	43,400.00	6,043,400.00	6,000,000.00	5,903,880.00	5,947,280.00
04/13/2020	UB	FARM CR	17-0026	5,999,760.00	6,003,376.67	43,400.00	6,043,235.20	6,000,000.00	5,903,880.00	5,947,280.00
04/27/2020	WF	FARM CR	17-0025	5,982,300.00	5,982,300.00	37,216.67	6,024,991.41	6,000,000.00	5,889,000.00	5,926,216.67
05/08/2020	UB	FARM CR	17-0027	6,000,360.00	6,000,360.00	36,941.67	6,037,193.93	6,000,000.00	5,898,780.00	5,935,721.67
07/06/2020	UB	FARM CR	18-0001	6,738,300.40	6,738,300.40	24,739.72	6,768,366.02	6,760,000.00	6,632,236.00	6,656,975.72
10/26/2020	WF	FARM CR	18-0002	9,986,330.00	9,986,330.00	75,347.22	10,063,635.43	10,000,000.00	9,829,200.00	9,904,547.22
11/27/2020	WF	FARM CR	18-0009	4,244,071.86	4,247,669.19	27,879.33	4,273,558.75	4,260,000.00	4,200,232.20	4,228,111.53
01/05/2021	UB	FARM CR	18-0014	3,645,425.00	3,645,425.00	14,142.22	3,663,849.56	3,700,000.00	3,615,529.00	3,629,671.22
01/29/2021	UB	FARM CR	18-0015	14,961,600.00	14,963,475.00	58,125.00	15,021,797.83	15,000,000.00	14,913,000.00	14,971,125.00
03/22/2021	WF	FARM CR	18-0019	7,990,712.00	7,994,018.67	4,960.00	7,995,706.08	8,000,000.00	7,988,880.00	7,993,840.00
FARM CREDIT				149,568,952.36	149,624,641.37	657,156.82	150,248,414.10	149,720,000.00	148,112,637.20	148,769,794.02
04/17/2018	WF	FHLB	15-0029	7,299,581.40	7,299,581.40	37,233.13	7,302,737.95	7,265,000.00	7,263,183.75	7,300,416.88
05/04/2018	WF	FHLB	15-0034	6,006,318.00	6,006,318.00	24,500.00	6,024,690.25	6,000,000.00	5,995,860.00	6,020,360.00
09/14/2018	ZB	FHLB	17-0038	6,058,200.00	6,083,866.67	5,666.67	6,026,222.42	6,000,000.00	5,999,760.00	6,005,426.67
10/01/2018	ZB	FHLB	17-0037	5,972,400.00	5,981,150.00	26,250.00	6,015,878.75	6,000,000.00	5,966,400.00	5,992,650.00
11/30/2018	WF	FHLB	16-0015	5,985,240.00	5,988,365.00	25,208.33	6,021,881.17	6,000,000.00	5,968,140.00	5,993,348.33
01/16/2019	WF	FHLB	17-0023	5,999,934.00	6,018,059.00	15,625.00	6,015,595.23	6,000,000.00	5,959,560.00	5,975,185.00
03/08/2019	UB	FHLB	16-0019	6,099,900.00	6,107,400.00	5,750.00	6,037,766.82	6,000,000.00	5,964,240.00	5,969,990.00
04/05/2019	UB	FHLB	16-0018	6,000,000.00	6,000,000.00	27,866.67	6,027,866.67	6,000,000.00	5,926,200.00	5,954,066.67
05/28/2019	UB	FHLB	18-0016	14,872,200.00	14,908,293.75	70,468.75	14,958,344.84	15,000,000.00	14,862,000.00	14,932,468.75
06/14/2019	ZB	FHLB	17-0005	6,033,750.00	6,034,020.83	28,979.17	6,045,242.89	6,000,000.00	5,960,520.00	5,989,499.17
11/15/2019	UB	FHLB	17-0003	5,983,020.00	5,988,978.33	31,166.67	6,021,729.80	6,000,000.00	5,914,680.00	5,945,846.67
03/18/2020	UB	FHLB	18-0012	9,903,426.75	9,972,764.25	10,481.25	9,884,004.86	9,675,000.00	9,786,359.25	9,796,840.50
05/04/2020	WF	FHLB	17-0028	5,002,825.00	5,002,825.00	32,258.33	5,034,227.57	5,000,000.00	4,919,650.00	4,951,908.33
05/15/2020	WF	FHLB	17-0035	6,018,300.00	6,022,425.00	37,400.00	6,050,519.79	6,000,000.00	5,910,600.00	5,948,000.00
06/05/2020	WF	FHLB	17-0040	6,001,638.00	6,001,638.00	29,773.33	6,030,962.96	6,000,000.00	5,893,980.00	5,923,753.33
06/12/2020	WF	FHLB	17-0041	12,065,988.00	12,065,988.00	63,583.33	12,111,930.38	12,000,000.00	11,827,440.00	11,891,023.33
06/19/2020	UB	FHLB	17-0043	4,998,950.00	4,999,595.83	21,958.33	5,021,180.20	5,000,000.00	4,910,900.00	4,932,858.33
09/11/2020	WF	FHLB	18-0011	15,357,510.00	15,468,916.25	23,958.33	15,342,934.31	15,000,000.00	15,143,400.00	15,167,358.33
12/11/2020	WF	FHLB	18-0007	19,930,400.00	19,930,400.00	114,583.33	20,052,032.24	20,000,000.00	19,709,000.00	19,823,583.33
02/08/2021	ZB	FHLB	18-0020	7,978,616.00	8,005,004.89	27,972.22	8,006,669.84	8,000,000.00	7,972,000.00	7,999,972.22
FEDERAL HOME LOAN BANK				163,568,197.15	163,885,590.20	660,682.84	164,032,418.94	162,940,000.00	161,853,873.00	162,514,555.84
04/01/2018	ST	LAIF	1	65,000,000.00	65,000,000.00	241,928.79	65,241,928.79	65,000,000.00	64,839,970.00	65,081,898.79
LOCAL AGENCY INVESTMENT FUND				65,000,000.00	65,000,000.00	241,928.79	65,241,928.79	65,000,000.00	64,839,970.00	65,081,898.79
04/01/2018	RCB	PIMMA - River City Bank	29	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
04/01/2018	PPB	PIMMA - Pacific Premier Bank	31	100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00
04/01/2018	PWB	PIMMA - Pacific Western Bank	23	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
04/01/2018	EWB	PIMMA - East West Bank	6	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
04/01/2018	FSB	PIMMA - Five Star Bank	28	20,000,000.00	20,000,000.00	0.00	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00
****PIMMA**				180,000,000.00	180,000,000.00	0.00	180,000,000.00	180,000,000.00	180,000,000.00	180,000,000.00
09/30/2019	WF	SUPRA - IBRD	18-0018	7,861,336.00	7,900,802.67	266.67	7,869,266.31	8,000,000.00	7,868,720.00	7,868,986.67
08/05/2020	WF	SUPRA - IBRD	18-0017	14,967,390.00	14,967,390.00	52,150.00	15,021,506.61	15,000,000.00	14,996,100.00	15,048,250.00

JAMES P. ERB, CPA

SAN LUIS OBISPO COUNTY TREASURER

TREASURY POOL DETAIL REPORT - 03/31/2018 YEAR PORTFOLIO

AS OF: 04/01/2018 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instrument	Invest. Number	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val(incls Acc. Int)
SUPRANATIONAL				22,828,726.00	22,868,192.67	52,416.67	22,890,772.92	23,000,000.00	22,864,820.00	22,917,236.67
06/15/2018	ZB	T-NOTE	16-0009	5,999,062.50	6,031,705.94	19,842.03	6,019,765.50	6,000,000.00	5,992,080.00	6,011,922.03
07/15/2018	MBS	T-NOTE	16-0011	5,960,928.00	5,982,042.13	11,022.10	6,006,694.51	6,000,000.00	5,983,740.00	5,994,762.10
07/15/2018	WF	T-NOTE	17-0036	5,980,312.50	6,000,181.28	11,022.10	6,005,967.84	6,000,000.00	5,983,740.00	5,994,762.10
08/15/2018	WF	T-NOTE	16-0006	5,973,750.00	5,992,500.00	7,458.56	6,003,819.42	6,000,000.00	5,981,040.00	5,988,498.56
08/31/2018	UB	T-NOTE	17-0011	6,027,187.50	6,035,747.28	7,826.09	6,015,865.96	6,000,000.00	5,990,160.00	5,997,986.09
09/15/2018	UB	T-NOTE	17-0022	5,986,875.00	5,991,440.22	2,771.74	5,998,564.69	6,000,000.00	5,976,360.00	5,979,131.74
09/15/2018	UB	T-NOTE	16-0005	5,973,900.00	5,987,746.15	2,771.74	5,998,464.75	6,000,000.00	5,976,360.00	5,979,131.74
10/31/2018	ZB	T-NOTE	16-0004	6,011,718.75	6,019,342.38	31,491.71	6,033,848.74	6,000,000.00	5,974,440.00	6,005,931.71
10/31/2018	UB	T-NOTE	17-0021	5,960,390.63	5,980,653.06	18,895.03	6,004,015.32	6,000,000.00	5,957,820.00	5,976,715.03
11/15/2018	WF	T-NOTE	16-0003	5,997,421.88	6,001,130.67	28,383.98	6,027,838.71	6,000,000.00	5,971,620.00	6,000,003.98
02/15/2019	UB	T-NOTE	16-0021	5,988,281.25	5,995,204.33	5,593.92	6,001,988.15	6,000,000.00	5,929,680.00	5,935,273.92
02/15/2019	ZB	T-NOTE	17-0018	5,947,500.00	5,953,839.78	5,593.92	5,980,851.64	6,000,000.00	5,929,680.00	5,935,273.92
03/15/2019	UB	T-NOTE	17-0030	5,975,625.00	5,986,059.78	2,771.74	5,990,035.26	6,000,000.00	5,936,280.00	5,939,051.74
05/15/2019	UB	T-NOTE	17-0007	5,932,968.75	5,948,631.73	19,868.79	5,985,727.08	6,000,000.00	5,913,780.00	5,933,648.79
06/15/2019	UB	T-NOTE	17-0031	5,952,656.25	5,974,867.79	15,432.69	5,987,950.84	6,000,000.00	5,906,940.00	5,922,372.69
07/15/2019	WF	T-NOTE	17-0033	5,930,156.25	5,946,938.02	9,447.51	5,967,145.22	6,000,000.00	5,889,840.00	5,899,287.51
07/31/2019	ZB	T-NOTE	18-0013	11,898,750.00	11,969,144.02	27,348.07	11,941,471.11	12,000,000.00	11,869,200.00	11,896,548.07
07/31/2019	UB	T-NOTE	17-0009	6,037,968.75	6,053,051.62	16,160.22	6,037,742.45	6,000,000.00	5,955,000.00	5,971,160.22
08/31/2019	UB	T-NOTE	17-0010	6,034,687.50	6,042,105.98	8,478.26	6,028,719.17	6,000,000.00	5,950,080.00	5,958,558.26
09/30/2019	ZB	T-NOTE	17-0016	5,947,500.00	5,948,647.54	163.93	5,968,466.92	6,000,000.00	5,891,940.00	5,892,103.93
10/31/2019	WF	T-NOTE	17-0019	6,020,156.25	6,060,681.11	37,790.05	6,050,290.39	6,000,000.00	5,929,920.00	5,967,710.05
10/31/2019	UB	T-NOTE	17-0008	5,991,093.75	6,023,165.57	37,790.05	6,032,461.03	6,000,000.00	5,929,920.00	5,967,710.05
11/30/2019	WF	T-NOTE	18-0010	14,901,562.50	14,909,598.21	75,412.09	14,991,939.29	15,000,000.00	14,815,500.00	14,890,912.09
01/31/2020	UB	T-NOTE	17-0012	5,969,062.50	5,982,114.99	12,430.94	5,992,345.54	6,000,000.00	5,889,840.00	5,902,270.94
02/29/2020	UB	T-NOTE	17-0013	5,985,703.13	5,993,549.60	7,173.91	5,997,754.95	6,000,000.00	5,898,060.00	5,905,233.91
02/29/2020	ZB	T-NOTE	17-0017	5,965,781.28	5,973,525.85	6,521.74	5,983,914.10	6,000,000.00	5,884,200.00	5,890,721.74
03/31/2020	ZB	T-NOTE	17-0014	5,982,187.50	5,983,089.14	225.41	5,988,317.79	6,000,000.00	5,891,700.00	5,891,925.41
06/15/2020	WF	T-NOTE	17-0042	8,000,312.50	8,001,951.84	35,274.73	8,035,505.60	8,000,000.00	7,859,040.00	7,894,314.73
07/31/2020	UB	T-NOTE	18-0005	24,834,960.94	24,977,369.23	67,334.25	24,921,922.38	25,000,000.00	24,598,750.00	24,666,084.25
08/31/2020	ZB	T-NOTE	18-0004	14,797,851.56	14,853,117.44	17,934.78	14,839,259.03	15,000,000.00	14,656,650.00	14,674,584.78
09/15/2020	UB	T-NOTE	18-0006	14,794,335.94	14,841,625.30	9,527.85	14,827,211.64	15,000,000.00	14,653,650.00	14,663,177.85
10/31/2020	UB	T-NOTE	18-0008	19,694,531.25	19,726,437.33	115,469.62	19,841,880.91	20,000,000.00	19,504,600.00	19,620,069.62
11/15/2020	UB	T-NOTE	18-0003	11,974,687.50	11,975,267.61	79,475.13	12,057,306.47	12,000,000.00	11,812,920.00	11,892,395.13
TREASURY NOTE				270,429,867.11	271,142,472.92	754,704.68	271,565,052.40	272,000,000.00	268,284,530.00	269,039,234.68
TOTALS				**972,895,742.62**	**974,020,897.16**	**2,366,889.80**	**975,478,587.15**	**974,160,000.00**	**967,236,430.20**	**969,603,320.00**
QUARTERLY SUMMARY TOTALS				**972,895,742.62**					**967,236,430.20**	

*CDARS is an acronym for Certificate of Deposit Account Registry Service. This service is authorized by California Government Code (CGC) section 53635.8, and allows for placement of a single large investment into separate Certificates of Deposit of less than $250,000 with participating network banks. As a result, full FDIC insurance is maintained.

**PIMMA is an acronym for Public Investment Money Market Account. This is an interest-bearing deposit account secured by collateral per CGC section 53651 et seq.

JAMES P. ERB, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT DEFINITION/CODES
AS OF: 03/31/2018

Broker/Bank/Issuer Codes - The name of the broker or bank from which the instrument was purchased or issued.

Code	Broker/Bank/Issuer	Code	Broker/Bank/Issuer
CT	CalTrust	PWB	Pacific Western Bank
EWB	East West Bank	RCB	River City Bank
FSB	Five Star Bank	ST	State of California Treasurer
IBRD	International Bank of Reconstruction and Development (World Bank)	UB	MUFG Union Bank, N.A.
MBS	Multi-Bank Securities	WF	Wells Fargo Institutional Sec., LLC
PPB	Pacific Premier Bank	ZB	Zions First National Bank

Instrument - Type of investment purchased from a broker.

Code	Instrument	Code	Instrument
CTSTF	CalTrust-Short-Term Fund	LAIF	Local Agency Investment Fund
CDARS	Certificate of Deposit Account Registry Service	PIMMA	Public Investment Money Market Account
FARM CR	Farm Credit Bank	T-NOTE	Treasury Note
FHLB	Federal Home Loan Bank	SUPRA	Supranational

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 P. ERB, CPA
SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
SEPARATELY MANAGED FUNDS DETAIL REPORT
AS OF: March 31, 2018

		Principal Cost	Market Value
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Service Acount	0.00	0.00
	Principal Account	0.00	0.00
	Series A Interest Account	3.00	3.00
	Series A, B, C Bond Fund	2,392.40	2,392.40
Money held in conjunction with:	SLO 03 Series A,B,C		
	Pension Trust Obligation Bond		
		2,395.40	2,395.40
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Bond Fund	589.46	589.46
	Interest Account	0.16	0.16
	Principal Account	0.00	0.00
	Mand. Sinking Account	0.00	0.00
	Service Acount	0.00	0.00
	Surplus Account	0.00	0.00
Money held in conjunction with:	SLO 09 Series A	0.00	0.00
	Pension Trust Obligation Bond		
		589.62	589.62
Trustee Name:	U.S. Bank Trust, N.A.		
	Revenue Fund	300.40	300.40
Accounts:	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Reserve Fund	0.00	0.00
	Debt Service Fund	78.96	78.96
Money held in conjunction with:	SLO County Revenue Bonds		
	2011 Series A-Lopez Dam Imp Refunding		
		379.36	379.36
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	85,052.54	85,052.54
	Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO County COP 07 Series A		
	(Paso Robles Courthouse Project)		
		85,052.54	85,052.54
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	4,570.16	4,570.16
	Reserve Fund	451,729.26	451,729.26
Money held in conjunction with:	SLO County COP 08 Series A		
	(Vineyard Drive Interchange Improvements)		
		456,299.42	456,299.42
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	276.19	276.19
	Interest Account	7,872.79	7,872.79
	Principal Account	0.00	0.00
	Reserve Fund	1,810,514.82	1,810,514.82
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Refunding Bonds 2012 Ser A		
		1,818,663.80	1,818,663.80
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	07 Series A & B Revenue Fund	1,384.99	1,384.99
	07 Series A & B Interest Acct	0.00	0.00
	07 Series A & B Principal Acct	0.00	0.00
	07 Series A Reserve Fund	10,373,685.24	10,545,525.72
	07 Series A Project Fund	7.99	7.99
	07 Series A Rebate Fund	359,107.39	359,107.39
	07 Series B Reserve Fund	0.00	0.00
	07 Series B Project Fund	0.00	0.00
Money held in conjunction with:	SLO Cnty Rev Bond Ser A & B		
	(Nacimiento Water Project)		
		10,734,185.61	10,906,026.09
		13,097,565.75	13,269,406.23

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