This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 22, 2026

NEW ISSUE - FULL BOOK-ENTRY

RATING: Moody's: "Aa1"
See "RATING" herein.

In the opinion of Jones Hall LLP, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$85,000,000*
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
General Obligation Bonds,
Election of 2022, Series C

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

Authority and Purpose. The above-captioned General Obligation Bonds, Election of 2022, Series C (the "Bonds") are being issued by the San Luis Coastal Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on October 20, 2026. The Bonds were authorized at an election of the registered voters of the District held on November 8, 2022, which authorized the issuance of $349,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the third series of bonds to be issued under the 2022 Authorization (as defined herein). See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

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

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

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

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

MATURITY SCHEDULE
(See inside cover)

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

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall LLP, Bond Counsel to the District, and subject to certain other conditions. Jones Hall LLP is also serving as Disclosure Counsel to the District. Norton Rose Fulbright US LLP is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about November 19, 2026.**

RAYMOND JAMES®

The date of this Official Statement is _____, 2026.

**Preliminary; subject to change.*

MATURITY SCHEDULE*

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
General Obligation Bonds,
Election of 2022, Series C

Base CUSIP†: 798546

$_____ Serial Bonds

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

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

*Preliminary; subject to change.

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)

BOARD OF TRUSTEES

Ellen Sheffer, *President*
Brian Clausen, *Clerk*
Robert Banfield, *Trustee*
Mark Buchman, *Trustee*
Erica Flores Baltodano, *Trustee*
Marilyn Rodger, *Trustee*
Chris Ungar, *Trustee*

DISTRICT ADMINISTRATION

Eric Prater, Ed. D., *Superintendent*[*]
Ryan Pinkerton, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall LLP
San Mateo, California

UNDERWRITER'S COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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

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[*] The Superintendent plans to retire, effective June 30, 2027.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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$85,000,000*
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
General Obligation Bonds,
Election of 2022, Series C

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

INTRODUCTION

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

The District. The District is located in the City of San Luis Obispo, and surrounding areas in San Luis Obispo County (the **"County"**), and includes the areas of Morro Bay, Baywood, Los Osos, Edna Valley, North Pismo Beach, and Avila Beach. The District is located on the central coast of the State of California (the "**State**") on U.S. Route 101, approximately halfway between San Francisco and Los Angeles. The District was organized in 1965 and consists of an area comprising approximately 267 square miles. The District operates ten elementary schools, two middle schools, two comprehensive high schools, one continuation high school, and an adult education program. Enrollment in the District for the 2026-27 school year is budgeted for approximately 7,682 students. For purposes of education funding, the District is a **"Basic Aid District"** or "**Community Supported District,"** meaning that the District's share of local property taxes exceeds its funding entitlement under the State's education funding formula.

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

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction of and improvements to facilities of the District, as approved by voters in the District at an election held on November 8, 2022 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize $349,000,000 of general obligation bonds, and will be issued pursuant to certain provisions of the California Government Code and a resolution adopted by the Board of Trustees of the District on October 20, 2026 (the "**Bond Resolution**"). See "THE BONDS – Authority for Issuance" herein.

Description of the Bonds. The Bonds will be issued as current interest bonds, will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons,

* *Preliminary; subject to change.*

in the denominations of $5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2027. See "THE BONDS – Description of the Bonds" herein.

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

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

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

Following the issuance of the Bonds, there will be $84,000,000* unissued authorization remaining under the 2022 Authorization (as defined herein). See "FINANCIAL INFORMATION - Existing Debt Obligations" in APPENDIX A.

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

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

Tax Matters. In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" and APPENDIX D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of a continuing disclosure certificate (the "**Continuing Disclosure**

* *Preliminary; subject to change.*

Certificate"), the form of which is attached as APPENDIX E. See "CONTINUING DISCLOSURE" for additional information.

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

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement are available from the Superintendent's Office at 1500 Lizzie Street, San Luis Obispo, California 93401, telephone (805) 549-1200, which may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $349,000,000 (the "**2022 Authorization**").

The Bonds are the third series of bonds issued pursuant to the 2022 Authorization. Following the issuance of the Bonds, there will be $84,000,000* unissued authorization remaining under the 2022 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by voters in the District on November 8, 2022, the abbreviated text of which appeared on the ballot as follows:

> *"To improve the quality of education; repair/replace roofs; upgrade and renovate 50 to 60-year-old classrooms, restrooms, and school facilities; provide equity at sites; and make safety/security improvements; shall San Luis Coastal Unified School District's measure be approved authorizing $349,000,000 of bonds at legal rates, levying an estimated 4.9 cents per $100 of assessed value generating on average $17,970,000 annually while bonds are outstanding, with annual audits, independent citizens' oversight, NO money for salaries and all funds spent locally?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of the ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2022 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed based on a 360-day year of twelve 30-day months. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX F.

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semi-annually on each February 1 and

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** Preliminary; subject to change.*

August 1, commencing February 1, 2027 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2027, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as the designated paying agent, registrar and transfer agent (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

Book-Entry Only System

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

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

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

Redemption*

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

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

* *Preliminary; subject to change.*

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

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption

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

Notice of Redemption

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

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

Partial Redemption of Bonds

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

Effect of Redemption

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, the Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment

of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice. The Paying Agent will cancel all Bonds redeemed and will furnish a certificate of cancellation to the District.

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance and Discharge of Bonds

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

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

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

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

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

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

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

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

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

DEBT SERVICE SCHEDULES

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

San Luis Coastal Unified School District
General Obligation Bonds,
Election of 2022, Series C
Debt Service Schedule

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

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Combined General Obligation Bond Debt Service Schedule

Period Ending Aug. 1	Election of 2014, Series A	Election of 2014, Series B	2022 Refunding Bonds*	Election of 2022, Series A	Election of 2022, Series B	2024 Refunding Bonds	2026 Refunding Bonds	The Bonds	Total
2027	$237,412.50	$2,335,706.26	$855,435.80	$6,098,250.00	$6,311,100.00	$1,816,250.00	$4,493,250.00		
2028	237,412.50	2,410,206.26	855,787.00	2,995,500.00	9,802,100.00	1,904,250.00	4,680,500.00		
2029	237,412.50	2,493,456.26	855,989.20	2,995,500.00	3,547,600.00	1,990,750.00	4,866,750.00		
2030	237,412.50	2,564,706.26	855,042.40	2,995,500.00	3,635,850.00	2,110,500.00	5,046,250.00		
2031	237,412.50	2,644,206.26	855,976.40	2,995,500.00	3,804,600.00	2,241,500.00	5,218,500.00		
2032	237,412.50	2,722,406.26	855,731.60	2,995,500.00	3,964,600.00	2,377,750.00	5,403,000.00		
2033	237,412.50	2,801,856.26	855,337.80	2,995,500.00	4,140,850.00	2,518,500.00	5,593,250.00		
2034	237,412.50	2,885,137.50	855,795.00	3,875,500.00	4,022,100.00	2,663,000.00	5,798,000.00		
2035	237,412.50	2,974,043.76	855,073.40	4,011,500.00	4,167,600.00	2,820,500.00	5,995,500.00		
2036	237,412.50	3,060,631.26	7,540,202.80	4,153,500.00	4,314,350.00	2,979,750.00	--		
2037	237,412.50	3,152,181.26	7,765,940.40	4,295,750.00	4,466,850.00	3,150,000.00	--		
2038	3,727,412.50	3,240,337.50	5,078,834.20	4,447,750.00	4,619,350.00	--	--		
2039	3,938,987.50	3,332,756.26	2,913,304.20	4,603,500.00	4,781,350.00	--	--		
2040	--	4,574,100.00	--	4,762,250.00	4,951,850.00	--	--		
2041	--	4,735,250.00	--	4,933,250.00	5,119,850.00	--	--		
2042	--	4,900,725.00	--	5,105,250.00	5,299,850.00	--	--		
2043	--	--	--	5,282,500.00	5,485,600.00	--	--		
2044	--	--	--	5,469,000.00	5,676,100.00	--	--		
2045	--	--	--	5,657,600.00	5,880,350.00	--	--		
2046	--	--	--	5,858,200.00	6,081,850.00	--	--		
2047	--	--	--	6,064,800.00	6,294,850.00	--	--		
2048	--	--	--	6,276,600.00	6,517,850.00	--	--		
2049	--	--	--	6,492,800.00	6,744,350.00	--	--		
2050	--	--	--	6,722,600.00	6,978,100.00	--	--		
2051	--	--	--	6,959,800.00	7,222,600.00	--	--		
2052	--	--	--	7,203,400.00	7,476,400.00	--	--		
2053	--	--	--	7,472,400.00	7,735,400.00	--	--		
2054	--	--	--	--	10,623,600.00	--	--		
TOTAL	$10,277,937.50	$50,827,706.36	$30,998,450.20	$133,719,200.00	$159,666,900.00	$26,572,750.00	$47,095,000.00		

Private placement.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
[Net] Original Issue [Premium]/[Discount]	
Total Sources	
Uses of Funds	
Building Fund	
Debt Service Fund	
Costs of Issuance [1]	
Total Uses	

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, and the rating agency.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

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

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

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

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

Annual Tax Rates. The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

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

Building Fund

Proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "San Luis Coastal Unified School District Election of 2022, Series C Building Fund" (the "**Building Fund**"). The County Treasurer will maintain separate accounting for the proceeds of the Bonds, including all earnings received from the investment thereof. Amounts credited to the Building Fund for the Bonds will be expended by the District solely for the financing of projects for which the Bond proceeds are authorized to be expended under the 2022 Authorization (which includes related costs of issuance). All interest and other gain arising from the investment of proceeds of the Bonds will be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof shall be withdrawn from the Building Fund and transferred to the Debt Service Fund (as defined below), to be applied to pay the principal of and interest on the Bonds.

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

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "San Luis Coastal Unified School District Election of 2022, Series C Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which the County Treasurer shall hold as a separate account, distinct from all other funds of the County and the District. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy. The Debt Service Fund is pledged for the payment of the principal of and interest on the Bonds when and as the same become due, including the principal of any term Bonds required to be paid upon the mandatory sinking fund redemption thereof. Amounts in the Debt Service Fund shall be transferred by the County Treasurer to the Paying Agent to the extent necessary to pay the principal of and interest and redemption premium (if any) on the Bonds when due. In addition, amounts on deposit in the Debt Service Fund shall be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

If excess amounts remain on deposit in the Debt Service Fund after payment in full of the Bonds, any such excess shall be transferred to the general fund of the District, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* property tax levied and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* property tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary

property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

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

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

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2017-18 through 2026-27

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2017-18	$15,680,655,646	$4,544,107	$607,770,826	$16,292,970,579	--%
2018-19	16,653,153,170	4,406,912	576,455,533	17,234,015,615	5.8
2019-20	17,568,179,199	4,165,064	678,680,098	18,251,024,361	5.9
2020-21	18,623,103,742	4,369,422	673,399,077	19,300,872,241	5.8
2021-22	19,584,278,675	4,329,540	640,566,521	20,229,174,736	4.8
2022-23	20,894,028,144	4,002,623	797,158,676	21,695,189,443	7.2
2023-24	22,277,665,024	3,930,822	879,748,209	23,161,344,055	6.8
2024-25	23,476,709,916	3,844,106	926,548,015	24,407,102,037	5.4
2025-26	24,767,814,638	2,755,249	976,271,694	25,746,841,581	5.5
2026-27	25,932,498,814	2,972,606	975,573,034	26,911,044,454	4.5

Source: California Municipal Statistics, Inc.

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

Wildfires. According to the State, fire season is starting earlier and ending later each year, with the increased length of the season corresponding to an increase in the extent of forest fires across the State. In addition to destroying land and structures, there have been human fatalities and negative impacts on air quality throughout the State. Fires in the State and neighboring states have threatened the region's power grids, making some power lines unreliable. The Governor has issued executive orders in the past suspending penalties, costs and interest on late property tax payments for properties impacted by wildfires. The District cannot predict or make any representations regarding the effects that wildfires and related conditions have or may have on the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Seismic Events. The District is located in a seismically active region. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought and Flooding. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation, which resulted in related severe flooding and mudslides in certain regions. As of October 13, 2026, the U.S. Drought Monitor indicates that the State is classified as experiencing abnormally dry, moderate and no drought conditions, with the County currently experiencing no drought conditions.

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

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

Public Health Emergencies. In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the World Health Organization announced the official name for the outbreak of the disease known as COVID-19 ("**COVID-19**"), an upper respiratory tract illness, that spread across the world and materially impacted the global economy. While the national and global health emergencies have passed, there could be future COVID-19 outbreaks or other public health emergencies that could have material

adverse effects on the District's operations and finances. In addition, the District cannot predict whether future pandemics will occur and whether any such pandemics may impact its finances or operations. As of this date, several vaccines have been provided approval by federal health authorities and are widely available, and both the national emergency and state of emergency have officially ended, and the World Health Organization declared an end to the COVID-19 global health emergency.

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2026-27

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Morro Bay	$3,744,062,164	13.91%	$3,744,086,315	100.00%
City of Pismo Beach	969,716,576	3.60	$5,075,507,601	19.11%
City of San Luis Obispo	14,429,675,473	53.62	$14,429,675,473	100.00%
Unincorporated San Luis Obispo Co.	7,767,590,241	28.86	$37,711,560,734	20.60%
Total District	$26,911,044,454	100.00%		
San Luis Obispo County	$26,911,044,454	100.00%	$81,727,221,082	32.93%

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2026-27. As shown, the majority of the District's assessed valuation is represented by residential property.

Non-Residential:	2026-27 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$125,796,562	0.49%	194	0.44%
Commercial/Office	3,899,395,141	15.04	2,015	4.58
Vacant Commercial	222,378,475	0.86	234	0.53
Industrial	767,366,324	2.96	703	1.60
Vacant Industrial	33,263,305	0.13	50	0.11
Recreational	75,904,415	0.29	140	0.32
Government/Social/Institutional	154,074,146	0.59	169	0.38
Miscellaneous	31,365,980	0.12	230	0.52
Subtotal Non-Residential	$5,309,544,348	20.47%	3,735	8.48%
Residential:				
Single Family Residence	$15,074,344,654	58.13%	20,374	46.28%
Condominium	2,431,995,372	9.38	4,598	10.44
Timeshare Units	36,889,480	0.14	9,247	21.00
Mobile Home	233,839,143	0.90	1,944	4.42
Mobile Home Park	192,101,281	0.74	81	0.18
2-4 Residential Units	994,553,741	3.84	1,401	3.18
5+ Residential Units/Apartments	1,000,113,953	3.86	433	0.98
Vacant Residential	659,116,842	2.54	2,214	5.03
Subtotal Residential	$20,622,954,466	79.53%	40,292	91.52%
Total	$25,932,498,814	100.00%	44,027	100.00%

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

Assessed Valuation of Single-Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2026-27, including the median and average assessed value of single-family parcels in the District.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2026-27

	No. of Parcels	2026-27 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	20,374	$15,074,344,654	$739,881	$650,296

2026-27 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	891	4.373%	4.373%	$61,137,581	0.406%	0.406%
$100,000 - $199,999	1,240	6.086	10.459	188,343,487	1.249	1.655
$200,000 - $299,999	1,796	8.815	19.275	453,206,564	3.006	4.661
$300,000 - $399,999	1,828	8.972	28.247	637,293,273	4.228	8.889
$400,000 - $499,999	1,817	8.918	37.165	815,592,436	5.410	14.300
$500,000 - $599,999	1,762	8.648	45.813	968,266,728	6.423	20.723
$600,000 - $699,999	1,733	8.506	54.319	1,128,066,741	7.483	28.206
$700,000 - $799,999	1,883	9.242	63.561	1,412,163,757	9.368	37.574
$800,000 - $899,999	1,799	8.830	72.391	1,527,009,549	10.130	47.704
$900,000 - $999,999	1,395	6.847	79.238	1,320,778,219	8.762	56.466
$1,000,000 - $1,099,999	902	4.427	83.665	943,460,973	6.259	62.725
$1,100,000 - $1,199,999	653	3.205	86.871	749,136,343	4.970	67.694
$1,200,000 - $1,299,999	502	2.464	89.334	627,385,429	4.162	71.856
$1,300,000 - $1,399,999	397	1.949	91.283	533,870,421	3.542	75.398
$1,400,000 - $1,499,999	280	1.374	92.657	403,827,232	2.679	78.077
$1,500,000 - $1,599,999	240	1.178	93.835	371,179,881	2.462	80.539
$1,600,000 - $1,699,999	196	0.962	94.797	323,007,581	2.143	82.682
$1,700,000 - $1,799,999	189	0.928	95.725	331,013,515	2.196	84.878
$1,800,000 - $1,899,999	129	0.633	96.358	238,616,246	1.583	86.461
$1,900,000 - $1,999,999	86	0.422	96.780	167,544,181	1.111	87.572
$2,000,000 and greater	656	3.220	100.000	1,873,444,517	12.428	100.000
	20,374	100.000%		$15,074,344,654	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed

because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

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

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

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

Below are historical typical tax rates in a typical tax rate area within the District for fiscal years 2022-23 through 2026-27.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation
(TRA 3-000)[1]
Fiscal Years 2022-23 through 2026-27

	2022-23	2023-24	2024-25	2025-26	2026-27
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
State Water Project	.00400	.00363	.00365	.00321	.00321
San Luis Coastal Unified School District	.03500	.08400	.08400	.08400	.08555
San Luis Obispo Community College District	.01925	.01925	.01750	.01500	.01500
Total	$1.05825	$1.10688	$1.10515	$1.10221	$1.10376

(1) 2026-27 assessed valuation of TRA 3-000 is $8,672,900,878, which is 32.23% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of tax payers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of secured property taxes due to local agencies in the fiscal year such taxes are due. Under these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes on the secured roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

The following tables set forth a recent history of secured tax charges and delinquencies for the 1% general fund apportionment and debt service levy, respectively.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2025-26

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	% Delinquent June 30
2015-16	$53,291,054.09	$503,485.64	0.94%
2016-17	56,376,106.68	530,265.02	0.94
2017-18	59,852,380.95	577,556.75	0.96
2018-19	63,510,659.50	594,658.72	0.94
2019-20	66,226,124.69	1,087,377.48	1.64
2020-21	70,152,720.65	808,565.37	1.15
2021-22	73,799,223.88	664,035.84	0.90
2022-23	79,321,746.70	816,356.97	1.03
2023-24	84,730,183.92	1,092,194.95	1.29
2024-25	89,537,707.42	1,168,456.92	1.30
2025-26	94,410,657.48	1,418,012.13	1.50

(1) 1% general fund apportionment.
Source: *California Municipal Statistics, Inc.*

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2025-26

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	% Delinquent June 30
2015-16	$6,816,175.66	$43,785.64	0.64%
2016-17	7,216,723.55	55,579.81	0.77
2017-18	7,673,637.74	45,176.28	0.59
2018-19	8,123,424.46	46,259.77	0.57
2019-20	8,594,976.64	113,687.51	1.32
2020-21	7,232,792.54	61,952.28	0.86
2021-22	7,570,145.23	51,514.52	0.68
2022-23	7,328,477.92	53,225.62	0.73
2023-24	18,692,056.91	183,255.13	0.98
2024-25	19,721,341.52	174,743.57	0.89
2025-26	20,766,734.53	256,579.38	1.24

(1) Debt service levy.
Source: *California Municipal Statistics, Inc.*

Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2026-27. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2026-27

	Property Owner	Primary Land Use	2026-27 Assessed Valuation	% of Total [1]
1.	Cap VIII-Mustang Village LLC	Apartments	$107,903,814	0.42%
2.	Jamestown Premier SLO Retail LP	Commercial – Retail	86,218,742	0.33
3.	Charles Pasquini Jr. Trust	Shopping Center	81,478,714	0.31
4.	Daisy Hill Estates Inc.	Mobile Home Park	62,307,607	0.24
5.	Vintage at SLO Alderwood LLC	Apartments	55,204,039	0.21
6.	SLO Promenade DE LLC	Shopping Center	53,790,166	0.21
7.	SLO HHG SCM Hotel Development LP	Hotel/Motel	52,383,103	0.20
8.	Golden State Water Co	Water Company	52,007,236	0.20
9.	DS Marigold LP	Shopping Center	48,277,156	0.19
10.	Costco Wholesale Corp.	Shopping Center	46,338,030	0.18
11.	Irish Hills Plaza West II LLC	Shopping Center	44,527,429	0.17
12.	MRP California LLC	Residential Development	44,163,786	0.17
13.	Sierra Vista Hospital Inc.	Hospital	43,662,274	0.17
14.	Hotel SLO LLC	Hotel/Motel	40,623,494	0.16
15.	Laurel Creek LP	Warehouse	39,866,337	0.15
16.	CAP IX Foothill LLC	Apartments	39,534,075	0.15
17.	Target Corporation	Commercial – Retail	37,102,322	0.14
18.	Billa Hospitality SLO LLC	Hotel/Motel	36,120,580	0.14
19.	Quaglino Properties LLC	Commercial	35,808,328	0.14
20.	ACI Air LLC	Hangar	35,272,433	0.14
			$1,042,589,665	4.02%

(1) 2026-27 local secured assessed valuation: $25,932,498,814.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

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

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of November 1, 2026)

2026-27 Assessed Valuation: $26,911,044,454

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 11/1/26**
San Luis Obispo County Flood Control and Water Conservation District No. 3	11.275%	$342,196
San Luis Obispo Community College District	32.798	57,934,387
San Luis Coastal Unified School District	**100.000**	**282,076,000** (1)
San Luis Obispo County Los Osos Wastewater Assessment District No. 1	100.000	62,819,000
Los Osos Community Services District Wastewater Assessment District No. 1	100.000	6,230,000
San Luis Obispo Community Facilities District No. 2019-1	100.000	19,005,000
California Statewide Communities Development Authority Assessment Districts	100.000	1,165,000
California Statewide Communities Development Authority Community Facilities Districts	100.000	2,785,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$432,356,583
OVERLAPPING GENERAL FUND DEBT:		
San Luis Obispo County Certificates of Participation	32.928%	$24,322,438
San Luis Obispo County Pension Obligation Bonds	32.928	4,035,431
City of Morro Bay General Fund Obligations	99.999	442,506
City of Pismo Beach General Fund Obligations	19.106	9,188,148
City of San Luis Obispo General Fund Obligations	100.000	60,516,330
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$98,504,853
Less: City of San Luis Obispo supported obligations		45,562,851
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$ 52,942,002
GROSS COMBINED TOTAL DEBT		$530,861,436 (2)
NET COMBINED TOTAL DEBT		**$485,298,585**

Ratios to 2026-27 Assessed Valuation:

Direct Debt ($282,076,000)	**1.05%**
Total Direct and Overlapping Tax and Assessment Debt	1.61%
Gross Combined Total Debt	1.97%
Net Combined Total Debt	1.80%

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

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall LLP, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Material Litigation

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

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

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall LLP, as Bond Counsel and Disclosure Counsel to the District, Isom Advisors, a Division of Urban Futures, Inc., as municipal advisor to the District, and Norton Rose Fulbright US LLP, as counsel to the Underwriter, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

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

The District has prior undertakings pursuant to the Rule. In the previous five years, the District failed to timely file notice of a rating upgrade. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as its dissemination agent with respect to prior undertakings, as well as with respect to the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATING

Moody's Investors Service, Inc. ("**Moody's**") has assigned a rating of "Aa1" to the Bonds. The District has provided certain additional information and materials to Moody's, some of which does not appear in this Official Statement to the extent deemed not material for investment purposes. The rating reflects only the view of Moody's, and an explanation of the significance of the rating and outlook may be obtained only from Moody's. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on EMMA notices of any ratings changes on the Bonds on EMMA, which is provided in its form as APPENDIX E hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to Moody's and its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

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

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

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

GENERAL INFORMATION

The District is located in the City of San Luis Obispo, and surrounding areas in San Luis Obispo County (the **"County"**), and includes the areas of Morro Bay, Baywood, Los Osos, Edna Valley, North Pismo Beach, and Avila Beach. The District is located on the central coast of the State of California (the "**State**") on U.S. Route 101, approximately halfway between San Francisco and Los Angeles. The District was organized in 1965 and consists of an area comprising approximately 267 square miles. The District operates ten elementary schools, two middle schools, two comprehensive high schools, one continuation high school, and an adult education program. Enrollment in the District for the 2026-27 school year is budgeted for approximately 7,682 students. For purposes of education funding, the District is a Basic Aid District or Community Supported District, meaning that the District's share of local property taxes exceeds its funding entitlement under the State's education funding formula. For more information, see "– Community Supported District" below.

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

District Governance and Administration

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

Name	Office	Term Expires
Ellen Sheffer	President	December 2026
Brian Clausen	Clerk	December 2028
Robert Banfield	Trustee	December 2026
Mark Buchman	Trustee	December 2026
Erica Flores Baltodano	Trustee	December 2028
Marilyn Rodger	Trustee	December 2026
Chris Ungar	Trustee	December 2028

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Dr. Eric Prater currently serves as Superintendent of the District, with plans to retire as of June 30, 2027, and Ryan Pinkerton as the Assistant Superintendent, Business Services.

Employee Relations

The District has 433.8 full-time equivalent ("**FTE**") certificated employees, 349.4 FTE classified employees, and 43.8 FTE management employees. The employees of the District are represented by bargaining units, as follows:

Employee Group	Representation	Contract Expiration Date
Certificated	San Luis Coastal Teachers Association	June 30, 2029
Classified	California School Employees Association	June 30, 2029
Classified	Service Employees International Union	June 30, 2029

Source: San Luis Coastal Unified School District.

Recent Enrollment Trends

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

ANNUAL ENROLLMENT
Fiscal Years 2020-21 through 2026-27
San Luis Coastal Unified School District

Fiscal Year	Student Enrollment	% Change
2020-21	7,332	--%
2021-22	7,378	0.6
2022-23	7,555	2.4
2023-24	7,577	0.3
2024-25	7,654	1.0
2025-26	7,682	0.4
2026-27(1)	7,682	0.0

(1) Budgeted.

Source: California Department of Education; San Luis Coastal Unified School District.

FINANCIAL INFORMATION

Education Funding Generally

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

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

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

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

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

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

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

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

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

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

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

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

Source: California Department of Education.

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Community Supported Districts. Community Supported Districts (also known as Basic Aid Districts), are those whose local property tax revenues exceed the funding entitlement under the LCFF. Community Supported Districts do not receive any funds from the State appropriation, however, they do receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment. The current law in California allows these districts to keep the excess property tax revenues without penalty. The implication for Community Supported Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less

significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors. Under Proposition 30, Community Supported Districts are entitled to the minimum $200 per pupil from the Education Protection Account, and, under the Constitution, Community Supported Districts receive a minimum of $120 per pupil.

The District's Community Supported status is a result of reductions to its LCFF allocation, occasioned by reduced levels of State funding of education, declining enrollment, and increasing property tax collections, such that the District's property taxes now represent the bulk of its LCFF allocation revenues. The District expects to continue to have local property tax revenue in excess of its LCFF entitlement for the near future.

District Accounting Practices

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

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

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

Community Supported District

The District's local property taxes have exceeded the Local Control Funding Formula (the **"LCFF"**) allocation for the District, resulting in the District being treated as a Community Supported District for purposes of general-purpose education funding by the State for over 35 years. With implementation of the LCFF, commencing in fiscal year 2013-14, a school district, that has property tax revenues exceeding its entitlement under the LCFF, is entitled to keep the local property tax revenues that exceed its LCFF funding entitlement. The District expects to continue to have local property tax revenue in excess of its LCFF allocation for the near future.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2025, audited financial statements were prepared by Eide Bailly LLP, Rancho Cucamonga, California, and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement.

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

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

	Audited 2020-21	Audited 2021-22	Audited 2022-23	Audited 2023-24	Audited 2024-25
Revenues					
LCFF	$86,966,401	$88,781,834	$94,377,074	$99,867,413	$104,423,476
Federal revenues	9,645,492	4,145,289	7,579,126	5,297,555	3,570,658
Other state revenues	10,682,547	15,458,867	23,951,829	14,518,436	15,029,445
Other local revenues	12,109,571	10,961,842	14,130,439	16,312,463	16,427,056
Total Revenues	119,404,011	119,347,832	140,038,468	135,995,867	139,450,635
Expenditures					
Instruction	62,711,932	67,019,102	73,783,706	79,678,912	78,165,086
Instruction-related services:					
Supervision of instruction	4,827,215	6,107,617	6,686,762	6,996,297	8,333,156
Library, media and technology	1,316,892	1,384,565	1,418,497	1,417,586	1,466,891
School site administration	7,669,722	7,724,870	7,923,271	9,003,141	8,833,978
Pupil services:					
Home-to-school transportation	2,911,288	3,404,826	3,605,965	4,286,035	4,877,930
Food services	22,542	24,829	36,583	278,408	1,142,038
All other pupil services	8,378,917	9,285,970	11,012,846	12,478,397	12,276,229
General administration services:					
Data processing	2,056,224	2,882,813	2,453,937	3,273,076	3,103,119
Other general administration	5,644,675	5,986,099	7,131,010	7,516,146	7,496,129
Plant services	13,381,824	13,141,720	14,537,932	14,578,154	14,521,428
Ancillary services	2,199,561	1,761,295	1,897,221	2,300,855	2,359,602
Community services	919,209	34,436	553,838	790,016	1,420,248
Other outgo	912,479	808,184	1,076,391	1,604,206	1,393,296
Enterprise activities	--	59,256	92,830	105,937	73,506
Facility acquisition and construction	68,689	1,317,218	326,688	69,502	--
Debt service-Principal	--	130,331	212,990	217,132	190,574
Debt service-Interest and other	--	12,330	10,364	9,978	3,713
Total Expenditures	113,022,169	121,085,461	132,760,831	144,603,778	145,656,923
Excess of Revenues Over/(Under) Expend.	6,381,842	(1,737,629)	7,277,637	(8,607,911)	(6,206,288)
Other Financing Sources (Uses)					
Operating transfers in	--	--	--	1,108,411	211,721
Operating transfers out	(1,500,531)	(434,568)	(1,958,289)	--	--
Other sources	--	648,703	209,321	--	--
Other uses	--	--	--	--	--
Total Other Financing Sources (Uses)	(1,500,531)	214,135	(1,748,968)	1,108,411	211,721
Net change in fund balance	4,881,311	(1,523,494)	5,528,669	(7,499,500)	(5,994,567)
Fund Balance, July 1	30,351,017[2]	35,232,328	33,708,834	39,237,503	31,738,003
Fund Balance, June 30	$35,232,328	$33,708,834	$39,237,503	$31,738,003	$25,743,436

(1) Figures may not sum to totals due to rounding.
(2) As restated. The restatement is attributed to the reclassification of student activity funds from agency funds to the General Fund and the correction of a loan receivables error.

Source: San Luis Coastal Unified School District Audit Reports. Because the District is a Community Supported District, the majority of LCFF funding is derived from local sources.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Luis Obispo County Superintendent of Schools (the **"County Superintendent"**).

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

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

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

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

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at San Luis Coastal Unified School District, 1500 Lizzie Street, San Luis Obispo, California 93401; (805) 549-1200. The District may impose charges for copying, mailing and handling.

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

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance[1]
Fiscal Year 2025-26 (Unaudited Actuals)
Fiscal Year 2026-27 (Adopted Budget)

	Unaudited Actuals 2025-26	Adopted Budget 2026-27
Revenues		
Total LCFF Sources	$109,878,844	$113,590,538
Federal Revenues	4,390,933	4,334,594
Other state revenues	18,401,407	16,892,541
Other local revenues	14,307,810	10,134,602
Total Revenues	146,978,994	144,952,275
Expenditures		
Certificated Salaries	57,179,120	55,153,198
Classified Salaries	26,959,137	26,080,105
Employee Benefits	37,067,096	37,426,282
Books and Supplies	5,257,866	5,004,723
Services and Other Operating Expenditures	16,410,415	15,915,663
Capital Outlay	5,135,701	330,001
Other Outgo (excluding transfers of indirect costs)	1,908,041	1,391,729
Other Outgo	(268,173)	(65,472)
Total Expenditures	149,649,202	141,236,230
Excess of Revenues Over/(Under) Expenditures	(2,670,208)	3,716,046
Other Financing Sources (Uses)		
Operating transfers in	300,000	300,000
Operating transfers out	(1,027,311)	
Total Other Financing Sources (Uses)	(727,311)	300,000
Net change in fund balance	(3,397,519)	4,016,046
Fund Balance, July 1	15,827,782	12,430,263
Fund Balance, June 30 [2]	$12,430,263	$16,446,308

(1) The District's reserves are not accounted for in its General Fund for purposes of budgeting and projections. As such, beginning and ending fund balance figures do not correspond with presentation of audited financial statements in the previous table, because the District's audits account for reserve funds within the General Fund.
(2) Columns may not sum to totals due to rounding.
Source: San Luis Coastal Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District has an informal reserve policy of 10% of expenditures, though such policy has not been adopted by the Board.

Under State law, there are certain restrictions on the amounts that can be held in reserve by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget not contain a combined assigned or unassigned ending general fund balance of

more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in any fiscal year in which the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period, if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap was triggered for fiscal year 2026-27.

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

Attendance - LCFF Funding

With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. With implementation of the LCFF commencing in fiscal year 2013-14, a school district, such as the District, which has property tax revenues which exceed its entitlement under the LCFF, is entitled to keep its local property tax revenues which exceed its LCFF funding entitlement.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The

threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

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

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

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

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

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

With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. With implementation of the LCFF commencing in fiscal year 2013-14, a school district, such as the District, which has property tax revenues which exceed its entitlement under the LCFF, is entitled to keep its local property tax revenues which exceed its LCFF funding entitlement.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been*

obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

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

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

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

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

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

Source: STRS.

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

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

STRS CONTRIBUTIONS
San Luis Coastal Unified School District
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Amount
2020-21	$6,989,720
2021-22	7,692,700
2022-23	9,359,580
2023-24	10,235,417
2024-25	10,617,639
2025-26[(1)]	15,966,756
2026-27[(2)]	15,973,515

(1) Unaudited actual.
(2) Budgeted.
Source: San Luis Coastal Unified School District.

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

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

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

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

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

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

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

PERS EMPLOYER CONTRIBUTIONS
San Luis Coastal Unified School District
Fiscal Years 2020-21 through 2026-27

Fiscal Year	Amount
2020-21	$3,919,563
2021-22	4,637,177
2022-23	5,537,443
2023-24	6,866,292
2024-25	7,625,293
2025-26[1]	6,587,173
2026-27[2]	6,342,548

(1) Unaudited actual.
(2) Budgeted.
Source: San Luis Coastal Unified School District.

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

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

employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

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

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

Assembly Bill 1383 ("**AB 1383**") has been passed by the State Legislature and presented to the Governor for signature. AB 1383 would amend the PEPRA to establish higher safety-member retirement benefit formulas for safety employees first hired on or after January 1, 2027: 2.5%, 2.7%, or 3% at age 55, in place of the current PEPRA formulas of 2%, 2.5%, or 2.7% at age 57. AB 1383 would also require employers to adjust formulas for existing PEPRA safety members who were hired on or after January 1, 2013 for service performed on or after January 1, 2027, to a new age-55 formula bearing the same benefit fraction as the employer's current age-57 formula. In addition, AB 1383 would authorize employers and recognized employee organizations to collectively bargain for further formula increases within PEPRA limits. If signed into law, AB 1383 would increase the District's pension expenses and required employer contributions.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA and AB 1383, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA and AB 1383, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Note 14 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

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

Other Post-Employment Retirement Benefits

Plan Description. The District's governing board administers the Postemployment Benefits Plan (the "**Plan**"). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. As of June 30, 2025, membership of the Plan consists of 65 retirees and 875 active employees.

Benefits Provided. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the San Luis Coastal Teacher Association ("**SLCTA**"), the local California Service Employees Association ("**CSEA**"), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SLCTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2025, the District paid $1,054,651 in benefits.

Actuarial Assumptions and Other Inputs. The District's total OPEB liability of $16,983,387 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024. The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.50%, salary increases 2.75% average, including inflation, and healthcare cost trend rate of 4.00% for 2025. Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees and School Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actual experience study for the period July 1, 2024 to June 30, 2025.

Discount Rate. The discount rate of 5.20% was based on the Bond Buyer 20-Bond General Obligation Index.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2025, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
San Luis Coastal Unified School District

	Total OPEB Liability
Balance at June 30, 2024	$16,489,907
Service Cost	1,318,753
Interest	653,243
Differences between expected and actual experience	1,094,690
Changes in assumptions	(1,518,555)
Benefit payments	(1,054,651)
Net changes	493,480
Balance at June 30, 2025	$16,983,387

Source: San Luis Coastal Unified School District.

OPEB Expense. For the year ended June 30, 2025, the District recognized an OPEB expense of $736,135.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 11 of APPENDIX B to the Official Statement.

Insurance – Joint Powers Agreement

The District is a member of the Self-Insured Schools of California Property and Liability Program ("**SISC II**"), Schools Insurance Program for Employees ("**SIPE**"), and the Self-Insured Schools of California Health and Welfare Benefits Program ("**SISC III**") public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationship between the District and the pools are such that they are not component units of the District for financial reporting purposes.

The District also participates in a joint venture under JPA with the Santa Lucia Regional Occupation Program (the "**Program**"). Participating districts receive ADA monies directly and in turn transfer these funds to the Program as tuition. The districts then submit claims for expenditures to the Program for payment. Administrative expenses are allocated based on ADA. The relationship between the District and the Program is such that the Program is not a component unit 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 available from the respective entities.

During the year ended June 30, 2025, the District made payments of $1,897,347, $1,517,744 and $16,027,183 to SIPE, SISC II and SISC III, respectively.

For more information regarding the District's JPAs, see Notes 13 and 16 of Appendix B to the Official Statement.

Disclaimer Regarding Cyber Risks

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

In May of 2022, the District was the target of a cyber attack, which compromised the personal data of certain District employees, though there were no financial impacts. The District has since increased its security systems and procedures, and carries cyber-security insurance. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

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

Existing Debt Obligations

General Obligation Bonds. The District has other series of general obligation bonds currently outstanding, as summarized in the following table. See also "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the annual debt service requirements of the District's outstanding bonds.

SUMMARY OF OUTSTANDING GENERAL OBLIGATION BONDS [(1)]
San Luis Coastal Unified School District

Dated Date	Series	Final Maturity Date	Outstanding as of November 1, 2026
04/08/2015	General Obligation Bonds, Election of 2014, Series A	08/01/2039	$7,305,000
05/30/2017	General Obligation Bonds, Election of 2014, Series B	08/01/2042	37,265,000
07/12/2022	2022 General Obligation Refunding Bonds [(2)]	08/01/2039	23,471,000
03/01/2023	General Obligation Bonds, Election of 2022, Series A	08/01/2053	73,160,000
12/20/2024	General Obligation Bonds, Election of 2022, Series B	08/01/2054	84,585,000
12/20/2024	2024 General Obligation Refunding Bonds	08/01/2037	19,525,000
05/21/2026	2026 General Obligation Refunding Bonds	08/01/2035	36,765,000
Total			$282,076,000

(1) Does not include the Bonds offered for sale in this Official Statement.
(2) Private placement.

Subscription-Based Technology Arrangements (SBITAs). The District entered into SBITA agreements for various software related to student curriculum, cybersecurity, and administrative management. At June 30, 2025, the District has recognized a right-to-use subscriptions IT asset of $726,105 related to these agreements and SBITA liabilities have been

paid off. During fiscal year 2024-25, the District recorded $372,576 in amortization expense. The District was required to make annual principal and interest payments through July 2024. The subscription agreements have interest rates ranging from 4.17% to 5.41%.

Compensated Absences. Compensated absences (unpaid employee vacation) for the District at June 30, 2025, amounted to $13,890,472.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

*The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the **"LAO"**). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.*

State Funding of Education Generally

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

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

The State Budget Process

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

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

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

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

Resources Relating to State Budgets

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

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

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

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

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

The 2026-27 State Budget

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

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

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

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

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

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

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

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

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

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

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

schools in the future fiscal year 2026-27 Budget Act if fiscal year 2025-26 revenues hold at current levels, and fully pays the $1.9 billion settle-up owed for fiscal year 2024-25.

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

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

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

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

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

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

Community Schools. The 2026-27 State Budget provides $1 billion ongoing Proposition 98 General Fund to expand the community schools model, plus $50 million for middle/high school redesign, $15 million and $13 million for State and regional transformational assistance centers, and $6 million for the Transforming Together

behavioral health initiative. It also includes intent language to provide $20 million ongoing beginning in fiscal year 2030-31 for county offices of education coordination services.

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

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

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

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

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

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

Disclaimer Regarding State Budgets

The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which

could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2026-27 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and

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

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

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

Proposition 98

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

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

surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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

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

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

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

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

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the

greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain

conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

Proposition 30 and Proposition 55

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting

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

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

Proposition 2

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

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

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

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

Proposition 19

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

Proposition 2 (2024)

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

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 1A, 26, 30, 39, 2, 19, 2(2024) and 55 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2024-25

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Financial Statements
June 30, 2025

San Luis Coastal Unified School District

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Independent Auditor's Report

To the Governing Board
San Luis Coastal Unified School District
San Luis Obispo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Luis Coastal Unified School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2025

This section of San Luis Coastal Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information from 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component 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 (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the 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 San Luis Coastal Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, 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 - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial 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 our funds for employee retiree benefits and pensions. The District's fiduciary activities are reported in the Fiduciary Fund Financial Statements. 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.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The community overwhelmingly supported the passage of a $349 million bond in November 2022. Construction is currently underway at 13 sites and will increase to 15 sites in 2026. The district has put forward and received close to $8 million in matching funds. The district has also applied for an additional $46 million in matching funds for Measure C.

The District's base property tax rose 4.91% in 2024-25 despite the decline of unitary tax.

The District's General Fund ended the year with a deficit of $(6,805,708). This deficit is a direct result of spending down the one-time funds that the district received as well as the drop in unitary tax, increased personnel costs and the addition of a grade level (transitional kindergarten). These funds were used to primarily provide academic and mental health support. Reductions in staffing and a two-year plan to eliminate the structural deficit are being enacted.

The District continues serving other district's Special Education students and received $1,053,956 from out of district contracts. Expenses continue to rise as our special education population grows.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $40,946,644 for the fiscal year ended June 30, 2025. Of this amount, ($89,521,241) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	$ 200,961,815	$ 148,087,098
Loan receivable	799,221	824,485
Capital assets	290,868,787	251,728,723
Total assets	492,629,823	400,640,306
Deferred outflows of resources	38,154,459	37,899,933
Liabilities		
Current liabilities	15,256,562	14,215,793
Long-term liabilities	459,160,704	369,199,645
Total liabilities	474,417,266	383,415,438
Deferred inflows of resources	15,420,372	11,568,368
Net Position		
Net investment in capital assets	90,984,632	87,289,353
Restricted	39,483,253	31,887,597
Unrestricted deficit	(89,521,241)	(75,620,517)
Total net position	$ 40,946,644	$ 43,556,433

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

The ($89,521,241) in unrestricted deficit of governmental activities represents the accumulated results of all past years' operations. The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16.

Changes in Net Position

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

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	$ 1,865,223	$ 1,827,710
Operating grants and contributions	29,389,830	29,057,962
Capital grants and contributions	1,326,604	-
General revenues		
Federal and State aid not restricted	6,837,249	7,232,175
Property taxes	123,433,162	117,016,324
Other general revenues	18,300,976	18,928,764
Total revenues	181,153,044	174,062,935
Expenses		
Instruction-related	100,406,116	103,663,997
Pupil services	25,891,539	23,159,729
Administration	11,625,772	11,529,288
Plant services	15,346,718	15,828,020
Other	19,576,653	17,231,154
Total expenses	172,846,798	171,412,188
Change in net position	$ 8,306,246	$ 2,650,747

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $172,846,798. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $123,433,162 because the cost was paid by those who benefited from the programs $1,865,223 or by other governments and organizations who subsidized certain programs with grants and contributions $30,716,434. The remaining "public benefit" portion of our governmental activities with $6,837,249 in Federal and State aid, and $18,300,976 with other revenues, like interest and general entitlements.

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

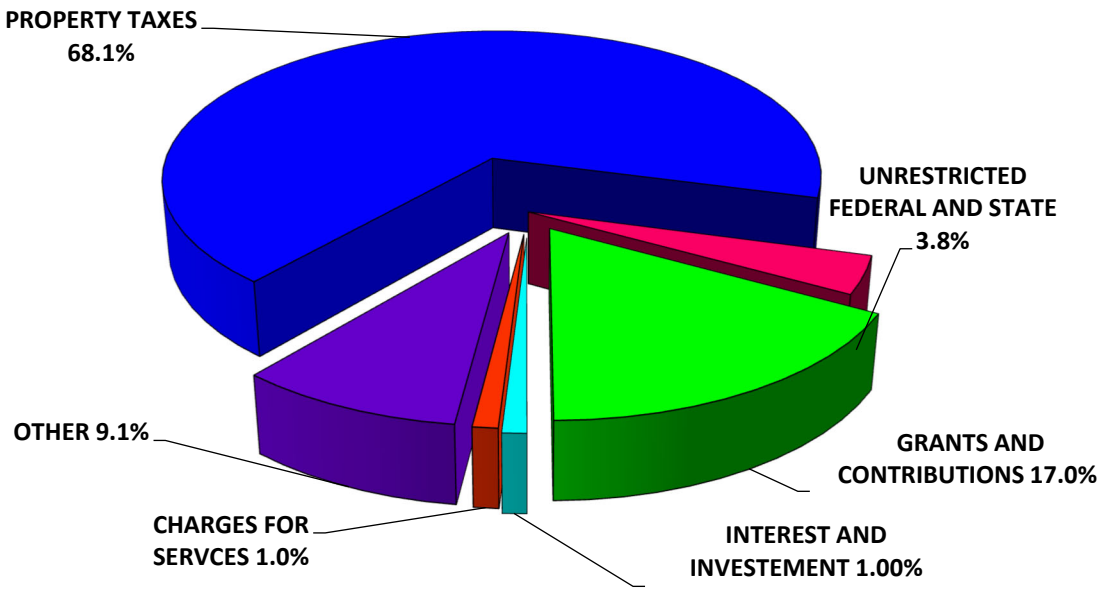
Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction-related	$ 100,406,116	$ 103,663,997	$ (85,924,155)	$ (88,975,657)
Pupil services	25,891,539	23,159,729	(16,929,594)	(13,971,096)
Administration	11,625,772	11,529,288	(11,259,869)	(11,109,344)
Plant services	15,346,718	15,828,020	(15,326,371)	(15,804,392)
All other services	19,576,653	17,231,154	(10,825,152)	(10,666,027)
Total	$ 172,846,798	$ 171,412,188	$ (140,265,141)	$ (140,526,516)

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

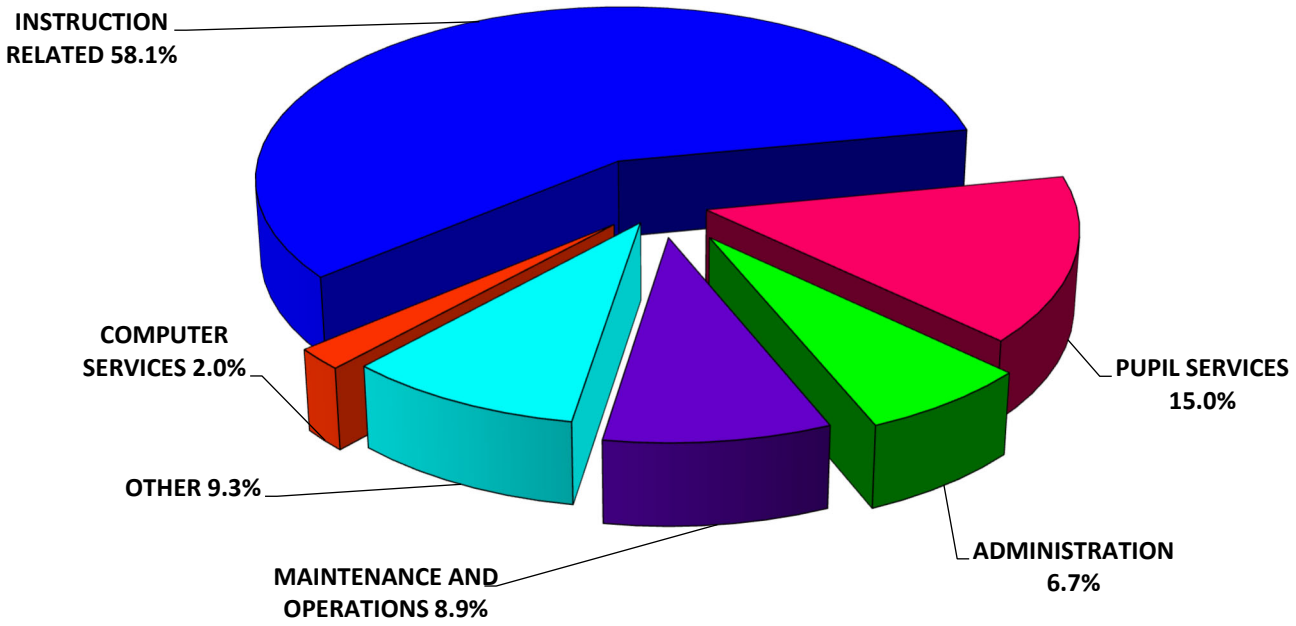
Property taxes accounted for 68.1% of total revenues in 2024-2025 which was an increase of 0.9% from the prior year.

FIGURE A-1: SOURCES OF REVENUES FISCAL YEAR 2024-2025



Expenses are primarily related to instruction, comprising about 58.1% of all expenditures.

FIGURE A-2: EXPENSES FISCAL YEAR 2024-2025



THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $191,252,883, which was an increase of $53,590,333 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Fund	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	$ 31,738,003	$ 139,662,356	$ 145,656,923	$ 25,743,436
Building	79,460,531	97,816,916	48,525,061	128,752,386
Bond Interest and Redemption	21,796,479	32,946,870	23,877,500	30,865,849
Student Activity	788,495	3,421,003	3,292,907	916,591
Adult Education	960,221	975,698	1,030,849	905,070
Cafeteria	2,237,645	6,998,562	7,575,861	1,660,346
Capital Facilities	482,606	2,347,220	421,021	2,408,805
County School Facilities	293	1,357,141	1,357,434	-
Special Reserve Fund for Capital Outlay Projects	197,920	13,801	211,721	-
Tax Override	357	43	-	400
Total	$ 137,662,550	$ 285,539,610	$ 231,949,277	$ 191,252,883

The primary reasons for these changes are:

1. The General Fund is the District's principal operating fund. The fund balance of the General Fund decreased by $5,994,567 from the previous year primarily due to spend down of one-time federal monies related to Elementary and Secondary School Emergency Relief Fund.
2. The Building Fund increased by $49,291,855 from the previous year due to issuance of general obligation bonds related to multi-year construction projects.
3. The Bond Interest and Redemption Fund increased by $9,069,370 due to the issuance of general obligation bonds.
4. Capital Facilities Fund increased by $1,926,199 due to collections of developer fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

- The District has a plan in place to rectify the structural deficit and maintain required levels of unrestricted reserves.
- The District's property tax base revenue is approximately $12 million over the LCFF state funding.
- Diablo Canyon Nuclear Power Plant has continued operations and is trying to renew their license for 20 years. This process may result in an increase in unitary tax back to previously held levels. This could generate $4 to $7 million in increased revenue if approved.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had $290,868,787 in a broad range of capital assets (net of depreciation and amortization), including land and construction in progress, buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of $39,140,064, or 15.6%, from last year (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	$ 66,495,195	$ 111,511,275
Buildings and improvements	216,994,828	133,253,157
Furniture and equipment	6,602,749	5,889,778
Right-to-use leased assets	49,910	199,608
Right-to-use subscription IT assets	726,105	874,905
Total	$ 290,868,787	$ 251,728,723

This year's increase is primarily a result of facilities improvement projects including modernization projects. We present a more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities

At the end of this year, the District had $459,160,704 in long-term liabilities outstanding versus $369,199,645 last year, an increase of $89,961,059 or 24.4%. These long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	$ 310,676,000	$ 234,401,000
Unamortized premiums	16,949,096	9,201,330
Leases	106,997	247,041
Subscription-based IT arrangements	-	50,530
Compensated absences	13,890,472	1,272,899
Net OPEB liability	17,293,605	16,853,612
Aggregate net pension liability	100,244,534	107,173,233
Total	$ 459,160,704	$ 369,199,645

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

The District's general obligation bond rating continues to be Aa1 for Moody's Investor Service. The State limits the amount of general obligation debt that unified districts can issue to 2.50% of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $310,676,000 is significantly below the statutorily-imposed limit.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2024-2025 ARE NOTED BELOW

- Academic achievement throughout the District continues to rise. SLCUSD students are achieving at levels higher than county, state, and comparable districts.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District has made the following financial assumptions:

- Property tax revenues are projected to increase by 3.5% in 2025-2026 and for the next two years.
- The depreciation of Diablo Canyon Nuclear Power Plant will end in 2025-2026 along with the District no longer receiving SB 1090 mitigation payments.
- The District continues to see flat enrollment, even with the addition of a new grade level (Transitional Kindergarten).
- STRS rates are holding stable at 19.1%, but PERS rates will continue to rise.

- The District has a $10 million structural deficits due to the reduction in SB 1090 payments and having fully expended all of the one-time State and Federal COVID-19 funding. $5 million in reductions have been made for 2025-2026 and an additional $5 million will be made in 2026-2027 to rectify the deficit.
- Measure C work continues throughout the District. Currently 13 schools have projects under construction.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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 Catherine Ecklund, Director of Fiscal Services, at San Luis Coastal Unified School District, 1500 Lizzie Street, San Luis Obispo, California 93401, or email at cecklund@slcusd.org.

	Governmental Activities
Assets	
Deposits and investments	$ 190,874,704
Receivables	9,738,526
Loan receivable	799,221
Stores inventories	318,937
Lease receivables	29,648
Capital assets not depreciated or amortized	66,495,195
Capital assets, net of accumulated depreciation and amortization	224,373,592
Total assets	492,629,823
Deferred Outflows of Resources	
Deferred charge on refunding	52,129
Deferred outflows of resources related to OPEB	1,580,782
Deferred outflows of resources related to pensions	36,521,548
Total deferred outflows of resources	38,154,459
Liabilities	
Overdrafts	77,345
Accounts payable	9,155,141
Interest payable	5,576,078
Unearned revenue	447,998
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	14,585,073
OPEB liability due within one year	1,066,212
Long-term liabilities other than OPEB and pensions due in more than one year	327,037,492
Net other postemployment benefits (OPEB) liability due in more than one year	16,227,393
Aggregate net pension liability	100,244,534
Total liabilities	474,417,266
Deferred Inflows of Resources	
Deferred charge on refunding	956,577
Deferred inflows of resources related to OPEB	4,969,743
Deferred inflows of resources related to pensions	9,465,604
Deferred inflows of resources related to leases	28,448
Total deferred inflows of resources	15,420,372
Net Position	
Net investment in capital assets	90,984,632
Restricted for	
Debt service	25,290,171
Capital projects	2,408,805
Educational programs	8,526,281
Other restrictions	3,257,996
Unrestricted (deficit)	(89,521,241)
Total net position	$ 40,946,644

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 81,094,387	$ 664,874	$ 10,475,536	$ 1,326,604	$ (68,627,373)
Instruction-related activities					
Supervision of instruction	8,555,855	94,288	1,558,058	-	(6,903,509)
Instructional library, media, and technology	1,701,014	25	38,170	-	(1,662,819)
School site administration	9,054,860	292	324,114	-	(8,730,454)
Pupil services					
Home-to-school transportation	5,213,845	1,741	165,057	-	(5,047,047)
Food services	8,787,453	95,575	6,348,970	-	(2,342,908)
All other pupil services	11,890,241	286,426	2,064,176	-	(9,539,639)
Administration					
Data processing	3,400,736	9	43	-	(3,400,684)
All other administration	8,225,036	8,080	357,771	-	(7,859,185)
Plant services	15,346,718	317	20,030	-	(15,326,371)
Ancillary services	6,054,457	-	3,560,258	-	(2,494,199)
Community services	1,420,248	5,116	1,140,144	-	(274,988)
Enterprise services	73,506	-	-	-	(73,506)
Interest on long-term liabilities	10,635,146	-	-	-	(10,635,146)
Other outgo	1,393,296	708,480	3,337,503	-	2,652,687
Total governmental activities	$ 172,846,798	$ 1,865,223	$ 29,389,830	$ 1,326,604	(140,265,141)
General Revenues and Subventions					
Property taxes, levied for general purposes					101,934,063
Property taxes, levied for debt service					21,497,851
Taxes levied for other specific purposes					1,248
Federal and State aid not restricted to specific purposes					6,837,249
Interest and investment earnings					1,784,849
Interagency revenues					187,354
Miscellaneous					16,328,773
Total general revenues and subventions					148,571,387
Change in Net Position					8,306,246
Net Position - Beginning, as previously reported					43,556,433
Adjustments (Note 17)					(10,916,035)
Net Position - Beginning					32,640,398
Net Position - Ending					$ 40,946,644

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 24,781,276	$ 131,030,487	$ 30,865,849	$ 4,197,092	$ 190,874,704
Receivables	8,043,126	20	-	1,695,380	9,738,526
Stores inventories	-	-	-	318,937	318,937
Lease receivables	29,648	-	-	-	29,648
Total assets	$ 32,854,050	$ 131,030,507	$ 30,865,849	$ 6,211,409	$ 200,961,815
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Overdrafts	$ -	$ -	$ -	$ 77,345	$ 77,345
Accounts payable	6,634,168	2,278,121	-	242,852	9,155,141
Unearned revenue	447,998	-	-	-	447,998
Total liabilities	7,082,166	2,278,121	-	320,197	9,680,484
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	28,448	-	-	-	28,448
Fund Balances					
Nonspendable	20,000	-	-	319,137	339,137
Restricted	8,526,281	128,752,386	30,865,849	5,667,201	173,811,717
Assigned	9,930,194	-	-	-	9,930,194
Unassigned	7,266,961	-	-	(95,126)	7,171,835
Total fund balances	25,743,436	128,752,386	30,865,849	5,891,212	191,252,883
Total liabilities, deferred inflows of resources, and fund balances	$ 32,854,050	$ 131,030,507	$ 30,865,849	$ 6,211,409	$ 200,961,815

Total Fund Balance - Governmental Funds		$ 191,252,883
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	$ 441,183,106	
Accumulated depreciation and amortization is	(150,314,319)	
Net capital assets		290,868,787
Revenues related to loan receivables received were recognized on the modified accrual basis, but are not recognized on the accrual basis.		799,221
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(5,576,078)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Deferred charge on refunding	52,129	
Other postemployment benefits (OPEB)	1,580,782	
Net pension liability	36,521,548	
Total deferred outflows of resources		38,154,459
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Deferred charge on refunding	(956,577)	
Other postemployment benefits (OPEB)	(4,969,743)	
Net pension liability	(9,465,604)	
Total deferred inflows of resources		(15,391,924)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(100,244,534)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(17,293,605)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	$ (310,676,000)	
Unamortized debt premiums	(16,949,096)	
Leases	(106,997)	
Compensated absences	(13,890,472)	
Total long-term liabilities		$ (341,622,565)
Total net position - governmental activities		$ 40,946,644

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula (LCFF)	$ 104,423,476	$ -	$ -	$ 75,000	$ 104,498,476
Federal sources	3,570,658	-	-	3,006,986	6,577,644
Other State sources	15,029,445	-	80,004	5,778,859	20,888,308
Other local sources	16,427,056	6,459,482	22,800,634	6,252,623	51,939,795
Total revenues	139,450,635	6,459,482	22,880,638	15,113,468	183,904,223
Expenditures					
Current					
Instruction	78,165,086	-	-	658,707	78,823,793
Instruction-related activities					
Supervision of instruction	8,333,156	-	-	331,280	8,664,436
Instructional library, media, and technology	1,466,891	-	-	-	1,466,891
School site administration	8,833,978	-	-	-	8,833,978
Pupil services					
Home-to-school transportation	4,877,930	-	-	-	4,877,930
Food services	1,142,038	-	-	7,355,342	8,497,380
All other pupil services	12,276,229	-	-	-	12,276,229
Administration					
Data processing	3,103,119	-	-	-	3,103,119
All other administration	7,496,129	-	-	303,496	7,799,625
Plant services	14,521,428	-	-	28,095	14,549,523
Ancillary services	2,359,602	-	-	3,292,907	5,652,509
Community services	1,420,248	-	-	-	1,420,248
Other outgo	1,393,296	-	-	-	1,393,296
Enterprise services	73,506	-	-	-	73,506
Facility acquisition and construction	-	48,295,061	-	350,811	48,645,872
Debt service					
Principal	190,574	-	10,530,000	-	10,720,574
Interest and other	3,713	230,000	9,877,674	-	10,111,387
Total expenditures	145,656,923	48,525,061	20,407,674	12,320,638	226,910,296
Excess (Deficiency) of Revenues Over Expenditures	(6,206,288)	(42,065,579)	2,472,964	2,792,830	(43,006,073)
Other Financing Sources (Uses)					
Transfers in	211,721	1,357,434	-	-	1,569,155
Other sources - proceeds from issuance of general obligations bonds	-	90,000,000	-	-	90,000,000
Other sources - proceeds from issuance of general obligation refunding bonds	-	-	21,325,000	-	21,325,000
Other sources - premium from issuance of bonds	-	-	10,066,232	-	10,066,232
Transfers out	-	-	-	(1,569,155)	(1,569,155)
Other uses - payments to refunded bonds escrow agent	-	-	(24,794,826)	-	(24,794,826)
Net Financing Sources (Uses)	211,721	91,357,434	6,596,406	(1,569,155)	96,596,406
Net Change in Fund Balances	(5,994,567)	49,291,855	9,069,370	1,223,675	53,590,333
Fund Balance - Beginning	31,738,003	79,460,531	21,796,479	4,667,537	137,662,550
Fund Balance - Ending	$ 25,743,436	$ 128,752,386	$ 30,865,849	$ 5,891,212	$ 191,252,883

Total Net Change in Fund Balances - Governmental Funds		$ 53,590,333
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation and amortization expense in the period.		
Capital outlay	$ 48,139,362	
Depreciation and amortization expense	(8,999,298)	
Net expense adjustment		39,140,064
In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between compensated absences earned and used.		(1,701,538)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and net pension liability during the year.		4,384,890
In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and net OPEB liability during the year.		(682,648)
Proceeds received from general obligation bonds are a revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		(111,325,000)
Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Premium on issuance recognized		(10,066,232)
Deferred amount on refunding recognized		(1,030,160)
Premium amortization		2,318,466
Deferred charge on refunding amortization		68,844

Receipts received from loan receivables are revenue in the governmental funds, but it reduces loan receivables in the Statement of Net Position.	$ (25,264)
Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	35,050,000
Leases	140,044
Subscription-based IT arrangements	50,530
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(1,606,083)
Change in net position of governmental activities	$ 8,306,246

	Custodial Funds
Assets	
Deposits and investments	$ 1,410,339
Net Position	
Restricted for student scholarships	$ 1,410,339

	Custodial Funds
Additions	
Private donations	$ 60,435
Interest	49,839
Total additions	110,274
Deductions	
Scholarships awarded	32,500
Net Increase in Fiduciary Net Position	77,774
Total Net Position - Beginning	1,332,565
Net Position - Ending	$ 1,410,339

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The San Luis Coastal Unified School District (the District) was organized 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 ten elementary schools, two middle schools, two high schools, one continuation high school, and an 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 San Luis Coastal Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

One fund currently defined as the special revenue fund in the *California State Accounting Manual* (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, the fund functions effectively as an extension of the General Fund, and accordingly, has been combined with the General Fund for presentation in the audited financial statements.

As a result, the General Fund reflects an increase in fund balance of $9,930,194.

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

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

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

- **Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are for scholarships for Morro Bay High School students who attend a four-year college.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using a 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 reconciliation 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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

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

Investments

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

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

Overdrafts

The District reports the deficit position in the investment in county treasury as an overdraft for the amount demands on the county treasury exceed the amount of balance on which they can be drawn.

Stores Inventories

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

Capital Assets, Depreciation, and Amortization

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

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/ infrastructure, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

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

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

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 8 years.

Lease Receivable

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 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. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the governmental activities Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums, discounts, and as debt issuance costs are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the District Plan and the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP’s fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

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

Subscription Liabilities

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

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than 3% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is 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 $39,483,253 net position restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Property Tax

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

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 17.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	$ 190,874,704
Fiduciary funds	1,410,339
Total deposits and investments	$ 192,285,043

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

Cash on hand and in banks	$ 944,641
Cash in revolving	20,200
Investments	191,320,202
Total deposits and investments	$ 192,285,043

The Cafeteria Fund ended the year with a negative balance in the cash in county investment account of $(77,345), which is presented as an overdraft.

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District 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 San Luis Obispo County Investment Pool to provide the cash flow and liquidity needed for operations. The District maintains an investment of $191,320,202 with the San Luis Obispo County Treasury Investment Pool that has a weighted average maturity of 499 days.

Credit Risk

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

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, the District's bank balance of $560,777 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Receivables

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 1,995,840	$ -	$ 680,637	$ 2,676,477
State Government				
LCFF apportionment	291,263	-	-	291,263
Categorical aid	3,474,495	-	975,594	4,450,089
Lottery	552,384	-	-	552,384
Due from other LEAs	927,102		-	927,102
Other local sources	802,042	20	39,149	841,211
Total	$ 8,043,126	$ 20	$ 1,695,380	$ 9,738,526

Note 4 - Related Party Loan Receivable

On December 14, 2016, the District granted a secure note receivable to the Superintendent in the amount of, and not to exceed, $950,000 bearing a 2.26% interest rate for the purpose of retention of the Superintendent by assisting with securing a principal residence in the San Luis Obispo area. The note is due and payable in full within 24 months upon the occurrence of the date of the Superintendent's separation from the District. In addition, the note is due and payable in full upon the occurrence of the sale or discontinuance of use as principal residence. This note is part of the Superintendent's employment agreement with the District. The District's loan receivable is summarized below.

Fiscal Year	Principal	Interest	Total
2026	$ 25,841	$ 18,259	$ 44,100
2027	26,431	17,669	44,100
2028	27,034	17,066	44,100
2029	27,652	16,448	44,100
2030	28,283	15,817	44,100
2031-2035	151,403	69,097	220,500
2036-2040	169,498	51,002	220,500
2041-2045	189,755	30,745	220,500
2046-2049	153,324	8,281	161,605
Total	$ 799,221	$ 244,384	$ 1,043,605

Note 5 - Capital Assets

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

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	$ 9,870,320	$ -	$ -	$ 9,870,320
Construction in progress	101,640,955	46,670,313	(91,686,393)	56,624,875
Total capital assets not being depreciated or amortized	111,511,275	46,670,313	(91,686,393)	66,495,195
Capital assets being depreciated and amortized				
Land improvements	8,571,535	-	-	8,571,535
Buildings and improvements	254,430,928	91,053,881	-	345,484,809
Furniture and equipment	16,802,545	1,877,785	-	18,680,330
Right-to-use leased furniture and equipment	648,703	-	-	648,703
Right-to-use subscription IT assets	1,336,773	223,776	(258,015)	1,302,534
Total capital assets being depreciated and amortized	281,790,484	93,155,442	(258,015)	374,687,911
Total capital assets	393,301,759	139,825,755	(91,944,408)	441,183,106
Accumulated depreciation and amortization				
Land improvements	(6,583,623)	(173,591)	-	(6,757,214)
Buildings and improvements	(123,165,683)	(7,138,619)	-	(130,304,302)
Furniture and equipment	(10,912,767)	(1,164,814)	-	(12,077,581)
Right-to-use leased furniture and equipment	(449,095)	(149,698)	-	(598,793)
Right-to-use subscription IT assets	(461,868)	(372,576)	258,015	(576,429)
Total accumulated depreciation and amortization	(141,573,036)	(8,999,298)	258,015	(150,314,319)
Net depreciable and amortizable capital assets	140,217,448	84,156,144	-	224,373,592
Governmental activities capital assets, net	$ 251,728,723	$ 130,826,457	$ (91,686,393)	$ 290,868,787

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

Governmental Activities	
Instruction	$ 5,508,603
Supervision of instruction	267,221
Instructional library, media, and technology	256,212
School site administration	546,644
Home-to-school transportation	210,497
Food services	1,393
Ancillary services	353,435
All other pupil services	127,150
Data processing	328,192
All other administration	533,376
Plant services	866,575
Total depreciation and amortization expense - governmental activities	$ 8,999,298

Note 6 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivable	Outstanding July 1, 2024	Addition	Deletion	Outstanding June 30, 2025
County of San Luis Obispo Building Lease	$ 58,658	$ -	$ (29,010)	$ 29,648
Sunnyside Building Lease	126,522	-	(126,522)	-
Total	$ 185,180	$ -	$ (155,532)	$ 29,648

County of San Luis Obispo Building Lease

The District leases a portion of its facilities to the County of San Luis Obispo. The lease is noncancelable for a period of five years ending June 30, 2026. During the fiscal year, the District recognized $28,448 in lease revenue and $940 in interest revenue related to the agreement. At June 30, 2025, the District recorded $29,648 in lease receivables and $28,448 in deferred inflows of resources for this arrangement. The District used an interest rate of 2.18% based on the rates available to finance real estate over the same time periods.

Sunnyside Building Lease

The District leases a portion of its facilities to Cal Fire Sunnyside. The lease is noncancelable for a period of four years ending June 30, 2025. During the fiscal year, the District recognized $121,854 in lease revenue and $1,152 in interest revenue related to the agreement. At June 30, 2025, the District fully collected the lease receivable, and the deferred inflows of resources have been fully recognized. The District used an interest rate of 1.96% based on the rates available to finance real estate over the same time periods.

Note 7 - Interfund Transactions

Operating Transfers

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

The County School Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of construction costs.	$ 1,357,434
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the General Fund for reimbursement of costs.	211,721
Total	$ 1,569,155

Note 8 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 1,029,339	$ -	$ 58,400	$ 1,087,739
Salaries and benefits	5,582,229	-	184,452	5,766,681
Construction	22,600	2,278,121	-	2,300,721
Total	$ 6,634,168	$ 2,278,121	$ 242,852	$ 9,155,141

Note 9 - Unearned Revenue

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

	General Fund
Federal financial assistance	$ 93,375
State categorical aid	354,623
Total	$ 447,998

Note 10 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	Balance July 1, 2024, as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 234,401,000	$ 111,325,000	$ (35,050,000)	$ 310,676,000	$ 11,840,000
Unamortized debt premiums	9,201,330	10,066,232	(2,318,466)	16,949,096	-
Leases	247,041	-	(140,044)	106,997	106,997
Subscription-based IT arrangements	50,530	-	(50,530)	-	-
Compensated absences	12,188,934	1,701,538	-	13,890,472	2,638,076
Total	$ 256,088,835	$ 123,092,770	$ (37,559,040)	$ 341,622,565	$ 14,585,073

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

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund with local revenues. Payments for leases and subscription-based IT arrangements are made from the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued	Redeemed	Bonds Outstanding June 30, 2025
4/8/15	8/1/39	0.35-3.47%	$ 50,000,000	$ 32,585,000	$ -	$ (25,280,000)	$ 7,305,000
5/30/17	8/1/42	3.00-5.00%	50,000,000	39,600,000	-	(670,000)	38,930,000
12/13/18	8/1/39	4.00-5.00%	77,000,000	48,745,000	-	(2,295,000)	46,450,000
3/1/23	8/1/53	4.17-5.00%	90,000,000	90,000,000	-	(6,805,000)	83,195,000
7/12/22	8/1/39	5.00%	23,965,000	23,471,000	-	-	23,471,000
12/20/24	8/1/37	5.00%	21,325,000	-	21,325,000	-	21,325,000
12/20/24	8/1/54	4.00-5.00%	90,000,000	-	90,000,000	-	90,000,000
				$ 234,401,000	$ 111,325,000	$ (35,050,000)	$ 310,676,000

On December 20, 2024, the District issued the 2024 General Obligation Refunding Bonds in the amount of $21,325,000. The refunding resulted in a cumulative cash flow savings of $1,283,636 over the life of the new debt and an economic gain of $979,728 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.48%.

Debt Service Requirements to Maturity

The bonds mature through 2055 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2026	$ 11,840,000	$ 13,126,386	$ 24,966,386
2027	12,465,000	12,443,620	24,908,620
2028	10,476,000	11,772,405	22,248,405
2029	11,716,000	11,253,782	22,969,782
2030	6,381,000	10,840,970	17,221,970
2031-2035	45,390,000	49,245,468	94,635,468
2036-2040	69,008,000	37,216,477	106,224,477
2041-2045	39,165,000	39,527,950	78,692,950
2046-2050	43,220,000	17,680,625	60,900,625
2051-2055	61,015,000	6,131,450	67,146,450
Total	$ 310,676,000	$ 209,239,133	$ 519,915,133

Leases

The District entered an agreement to lease copiers for five years, beginning July 1, 2021. Under the terms of the lease, the District paid monthly payments of $11,994, which amounted to total principal and interest costs of $143,929 as of June 30, 2024. At June 30, 2025, the District has recognized a net right-to-use leased asset of $49,910 and a lease liability of $106,997 related to this agreement. During the fiscal year, the District recorded $149,698 in amortization expense and $3,707 in interest expense for the right-to-use of the copiers. The District used an interest rate of 2.12% based on the rates available to finance machinery and equipment over the same time periods.

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

Year Ending June 30,	Principal	Interest	Total
2026	$ 106,997	$ 814	$ 107,811

Subscription-Based Information Technology Arrangements (SBITAs)

The District entered into SBITA agreements for various software related student curriculum, cybersecurity, and administrative management. At June 30, 2025, the District has recognized a right-to-use subscription IT asset of $726,105 related to these agreements and SBITA liabilities have been paid off as of June 30, 2025. During the fiscal year, the District recorded $372,576 in amortization expense. The District is required to make annual principal and interest payments through July 2024. The subscription agreements have interest rates ranging from 4.17% to 5.41%.

Note 11 - Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 16,983,387	$ 1,580,782	$ 4,969,743	$ 736,135
Medicare Premium Payment (MPP) Program	310,218	-	-	(53,487)
Total	$ 17,293,605	$ 1,580,782	$ 4,969,743	$ 682,648

The details of the plans are as follows:

District Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	65
Active employees	875
Total	940

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the San Luis Coastal Teacher Association (SLCTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, SLCTA, CSEA, and the unrepresented groups. For measurement period of June 30, 2025, the District paid $1,054,651 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $16,983,387 was measured as of June 30, 2025, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

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

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

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2025 valuation were based on the results of an actual experience study for the period July 1, 2024 to June 30, 2025.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2024	$ 16,489,907
Service cost	1,318,753
Interest	653,243
Differences between expected and actual experience	1,094,690
Changes of assumptions	(1,518,555)
Benefit payments	(1,054,651)
Net change in total OPEB liability	493,480
Balance, June 30, 2025	$ 16,983,387

Change to the benefit terms: No changes to the benefits terms noted. Changes of assumptions reflect a change in the discount rate from 3.93% in 2024 to 5.20% in 2025.

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

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

Discount Rate	Total OPEB Liability
1% decrease (4.20%)	$ 18,168,617
Current discount rate (5.20%)	16,983,387
1% increase (6.20%)	15,877,878

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	$ 15,564,257
Current healthcare cost trend rate (4.00%)	16,983,387
1% increase (5.00%)	18,647,049

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

For the year ended June 30, 2025, the District recognized OPEB expense of $736,135. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,331,678	$ 420,630
Changes of assumptions	249,104	4,549,113
Total	$ 1,580,782	$ 4,969,743

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (206,360)
2027	(244,082)
2028	(489,989)
2029	(489,992)
2030	(489,992)
Thereafter	(1,468,546)
Total	$ (3,388,961)

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of $310,218 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1164%, and 0.1199%, resulting in a net decrease in the proportionate share of 0.0035%.

For the year ended June 30, 2025, the District recognized OPEB expense of $(53,487).

Actuarial Methods and Assumptions

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

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

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

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.93%)	$ 334,717
Current discount rate (3.93%)	310,218
1% increase (4.93%)	288,675

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	$ 287,384
Current Medicare costs trend rate (5.00% Part A and 6.50% Part B)	310,218
1% increase (6.00% Part A and 7.50% Part B)	335,711

Note 12 - 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	$ -	$ -	$ 200	$ 20,200
Stores inventories	-	-	-	318,937	318,937
Total nonspendable	20,000	-	-	319,137	339,137
Restricted					
Legally restricted programs	8,526,281	-	-	904,870	9,431,151
Food service	-	-	-	1,436,535	1,436,535
Capital projects	-	128,752,386	-	2,408,805	131,161,191
Debt services	-	-	30,865,849	400	30,866,249
Student activities	-	-	-	916,591	916,591
Total restricted	8,526,281	128,752,386	30,865,849	5,667,201	173,811,717
Assigned					
Other postemployment benefits	9,930,194	-	-	-	9,930,194
Unassigned					
Remaining unassigned	7,266,961	-	-	(95,126)	7,171,835
Total	$ 25,743,436	$ 128,752,386	$ 30,865,849	$ 5,891,212	$ 191,252,883

Note 13 - 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, 2023, the District contracted with Self-Insured Schools of California Property and Liability Program (SISC II) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2025, the District participated in the 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's selection criteria. The third party administrator provides administrative, cost control and actuarial services to the JPA.

Employee Medical Benefits

The District has contracted with the SISC III to provide employee medical benefits. SISC III is a shared risk pool comprised of school districts in California. 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 14 - Employee Retirement Systems

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 53,582,664	$ 20,983,796	$ 8,368,110	$ 5,496,009
CalPERS	46,661,870	15,537,752	1,097,494	8,362,003
Total	$ 100,244,534	$ 36,521,548	$ 9,465,604	$ 13,858,012

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were $10,617,639.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 53,582,664
State’s proportionate share of the net pension liability	24,583,911
Total	$ 78,166,575

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0798% and 0.0810%, resulting in a net decrease in the proportionate share of 0.0012%.

For the year ended June 30, 2025, the District recognized pension expense of $5,496,009. In addition, the District recognized pension expense and revenue of $2,238,078 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,617,639	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,070,715	2,149,259
Differences between projected and actual earnings on pension plan investments	-	216,203
Differences between expected and actual experience in the measurement of the total pension liability	6,060,889	2,343,138
Changes of assumptions	234,553	3,659,510
Total	$ 20,983,796	$ 8,368,110

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (3,592,029)
2027	4,326,139
2028	(352,960)
2029	(597,353)
Total	$ (216,203)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 544,733
2027	813,498
2028	275,551
2029	189,445
2030	753,419
Thereafter	(362,396)
Total	$ 2,214,250

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

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 95,306,027
Current discount rate (7.10%)	53,582,664
1% increase (8.10%)	18,741,926

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.05%	27.05%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were $7,625,293.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $46,661,870. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.1306% and 0.1256%, resulting in a net increase in the proportionate share of 0.0050%.

For the year ended June 30, 2025, the District recognized pension expense of $8,362,033. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 7,625,293	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,156,615	763,537
Differences between projected and actual earnings on pension plan investments	1,812,544	-
Differences between expected and actual experience in the measurement of the total pension liability	3,911,915	333,957
Changes of assumptions	1,031,385	-
Total	$ 15,537,752	$ 1,097,494

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (15,625)
2027	2,818,093
2028	(416,408)
2029	(573,516)
Total	$ 1,812,544

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 2,285,613
2027	1,500,629
2028	1,216,179
Total	$ 5,002,421

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 69,316,597
Current discount rate (6.90%)	46,661,870
1% increase (7.90%)	27,947,262

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,963,993 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 15 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

As of June 30, 2025, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Modernization at various sites		
Bishop's Peak Phase 1 Modernization-RSH Construction	$ 1,891,266	September 2025
Sinsheimer Phase 1 Modernization	1,305,145	November 2025
Districtwide Temporary Housing	353,982	November 2025
Del Mar Phase 1 Modernization	1,113,580	November 2025
C.L. Smith Phase 1 Modernization	1,677,442	February 2026
Los Ranchos Phase 1 Modernization	3,188,749	March 2026
Districtwide Field Renovations	990,273	June 2026
Hawthorne Phase 1 Modernization	11,501,208	August 2026
Pacific Beach High School New Campus	14,041,621	August 2026
Monarch Grove Phase 1 Modernization	5,935,953	February 2027
Laguna Middle Phase 1 Modernization	18,490,917	June 2027
Total	$ 60,490,136	

Note 16 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Self-Insured Schools of California Property and Liability Program (SISC II), Schools Insurance Program for Employees (SIPE), and the Self-Insured Schools of California Health and Welfare Benefits Program (SISC III) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationship between the District and the pools are such that they are not component units of the District for financial reporting purposes.

The District also participates in a joint venture under JPA with the Santa Lucia Regional Occupation Program (the Program). Participating districts receive average daily attendance (ADA) monies directly and in turn transfer these funds to the Program as tuition. The districts then submit claims for expenditures to the Program for payment. Administrative expenses area allocated based on ADA. The relationship between the District and the Program is such as that the Program is not a component unit 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 available from the respective entities.

During the year ended June 30, 2025, the District made payments of $1,897,347, $1,517,744, and $16,027,183 to SIPE, SISC II and SISC III, respectively.

Note 17 - Restatement

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by $2,200,784 and $8,715,251, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	Governmental Activities
Beginning, as previously reported on June 30, 2024	$ 43,556,433
Change in accounting principle	(10,916,035)
Beginning, as Restated on July 1, 2024	$ 32,640,398

Required Supplementary Information
June 30, 2025

San Luis Coastal Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 103,224,470	$ 105,111,359	$ 104,423,476	$ (687,883)
Federal sources	4,312,408	4,520,219	3,570,658	(949,561)
Other State sources	15,742,799	14,514,100	15,029,445	515,345
Other local sources	11,582,599	14,492,910	16,427,056	1,934,146
Total revenues [1]	134,862,276	138,638,588	139,450,635	812,047
Expenditures				
Current				
Certificated salaries	55,995,879	57,755,862	57,061,354	694,508
Classified salaries	24,762,282	26,293,281	27,605,183	(1,311,902)
Employee benefits	35,331,426	36,636,627	36,645,395	(8,768)
Books and supplies	7,363,743	7,127,857	5,491,644	1,636,213
Services and operating expenditures	15,659,845	18,149,781	16,460,433	1,689,348
Other outgo	965,583	986,950	965,727	21,223
Capital outlay	68,184	586,988	1,232,900	(645,912)
Debt service				
Debt service - principal	-	-	190,574	(190,574)
Debt service - interest and other	-	-	3,713	(3,713)
Total expenditures [1]	140,146,942	147,537,346	145,656,923	1,880,423
Excess (Deficiency) of Revenues Over Expenditures	(5,284,666)	(8,898,758)	(6,206,288)	2,692,470
Other Financing Sources				
Transfers in	-	300,000	211,721	(88,279)
Net Change in Fund Balances	(5,284,666)	(8,598,758)	(5,994,567)	2,604,191
Fund Balance - Beginning	31,738,003	31,738,003	31,738,003	-
Fund Balance - Ending	$ 26,453,337	$ 23,139,245	$ 25,743,436	$ 2,604,191

[1] Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 1,318,753	$ 1,335,888	$ 1,259,871	$ 1,395,621
Interest	653,243	588,261	550,493	331,311
Difference between expected and actual experience	1,094,690	-	53,956	-
Changes of assumptions	(1,518,555)	(334,170)	(329,593)	(512,116)
Benefit payments	(1,054,651)	(1,097,709)	(898,805)	(987,488)
Net change in total OPEB liability	493,480	492,270	635,922	227,328
Total OPEB Liability - Beginning	16,489,907	15,997,637	15,361,715	15,134,387
Total OPEB Liability - Ending	$ 16,983,387	$ 16,489,907	$ 15,997,637	$ 15,361,715
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 1,315,360	$ 1,277,049	$ 1,384,527	$ 1,344,201
Interest	421,242	534,064	524,056	498,711
Difference between expected and actual experience	(708,740)	1,121,755	-	-
Changes of assumptions	(3,820,421)	845,542	477,810	-
Benefit payments	(1,125,438)	(1,023,729)	(1,120,785)	(1,164,379)
Net change in total OPEB liability	(3,917,997)	2,754,681	1,265,608	678,533
Total OPEB Liability - Beginning	19,052,384	16,297,703	15,032,095	14,353,562
Total OPEB Liability - Ending	$ 15,134,387	$ 19,052,384	$ 16,297,703	$ 15,032,095
Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.1164%	0.1199%	0.1172%	0.1205%
Proportionate share of the net OPEB liability	$ 310,218	$ 363,705	$ 386,127	$ 480,705
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1307%	0.1240%	0.1268%	0.1309%
Proportionate share of the net OPEB liability	$ 553,930	$ 461,689	$ 485,531	$ 550,571
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0798%	0.0810%	0.0781%	0.0802%	0.0750%
Proportionate share of the net pension liability	$ 53,582,664	$ 61,717,303	$ 54,270,959	$ 36,486,788	$ 72,696,123
State's proportionate share of the net pension liability	24,583,911	29,570,495	27,178,684	18,358,737	37,474,860
Total	$ 78,166,575	$ 91,287,798	$ 81,449,643	$ 54,845,525	$ 110,170,983
Covered payroll	$ 53,588,571	$ 49,003,037	$ 45,465,130	$ 43,280,000	$ 40,196,661
Proportionate share of the net pension liability as a percentage of its covered payroll	99.99%	125.95%	119.37%	84.30%	180.85%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0701%	0.0707%	0.0723%	0.0767%	0.0791%
Proportionate share of the net pension liability	$ 63,296,128	$ 64,951,520	$ 66,849,762	$ 62,058,974	$ 53,220,889
State's proportionate share of the net pension liability	34,532,264	37,187,783	39,547,754	35,329,067	28,147,983
Total	$ 97,828,392	$ 102,139,303	$ 106,397,516	$ 97,388,041	$ 81,368,872
Covered payroll	$ 38,104,963	$ 38,129,064	$ 38,662,432	$ 38,989,171	41,546,869
Proportionate share of the net pension liability as a percentage of its covered payroll	166.11%	170.35%	172.91%	159.17%	128.10%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.1306%	0.1256%	0.1313%	0.1311%	0.1266%
Proportionate share of the net pension liability	$ 46,661,870	$ 45,455,930	$ 45,181,533	$ 26,661,548	$ 38,858,905
Covered payroll	$ 25,735,727	$ 21,826,736	$ 20,240,842	$ 18,935,087	$ 18,358,912
Proportionate share of the net pension liability as a percentage of its covered payroll	181.31%	208.26%	223.22%	140.80%	211.66%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.1230%	0.1250%	0.1287%	0.1345%	0.1373%
Proportionate share of the net pension liability	$ 35,858,190	$ 33,327,060	$ 30,713,436	$ 26,566,846	$ 20,234,127
Covered payroll	$ 17,182,062	$ 16,488,397	$ 15,294,182	$ 17,704,676	15,242,384
Proportionate share of the net pension liability as a percentage of its covered payroll	208.70%	202.12%	200.82%	150.06%	132.75%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	$ 10,617,639	$ 10,235,417	$ 9,359,580	$ 7,692,700	$ 6,989,720
Less contributions in relation to the contractually required contribution	10,617,639	10,235,417	9,359,580	7,692,700	6,989,720
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 55,589,733	$ 53,588,571	$ 49,003,037	$ 45,465,130	$ 43,280,000
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 6,873,629	$ 6,203,488	$ 5,502,024	$ 4,863,734	$ 4,183,538
Less contributions in relation to the contractually required contribution	6,873,629	6,203,488	5,502,024	4,863,734	4,183,538
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 40,196,661	$ 38,104,963	$ 38,129,064	$ 38,662,432	$ 38,989,171
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%

CalPERS	2025	2024	2023	2022	2021
Contractually required contribution	$ 7,625,293	$ 6,866,292	$ 5,537,443	$ 4,637,177	$ 3,919,563
Less contributions in relation to the contractually required contribution	7,625,293	6,866,292	5,537,443	4,637,177	3,919,563
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 28,189,623	$ 25,735,727	$ 21,826,736	$ 20,240,842	$ 18,935,087
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 3,620,561	$ 3,103,424	$ 2,560,813	$ 2,124,056	$ 2,097,473
Less contributions in relation to the contractually required contribution	3,620,561	3,103,424	2,560,813	2,124,056	2,097,473
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 18,358,912	$ 17,182,062	$ 16,488,397	$ 15,294,182	$ 17,704,676
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were no changes in benefit terms since the previous valuation for other postemployment benefits.
- *Change of Assumptions* – The plan discount rate changed from 3.93% in 2024 to 5.20% in 2025.

Schedule of the District’s Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District’s proportionate share of the net OPEB Liability – MPP Program and the plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation
- Changes of Assumptions – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plan fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

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

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

San Luis Coastal Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through San Luis Obispo County Special Education Local Plan Area			
Special Education Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 1,834,761
Mental Health Allocation Plan, Part B, Sec 611	84.02A	15197	88,886
Local Assistance, Part B, Sec 611, Private School Individual Service Plans	84.027	10115	86,117
Subtotal			2,009,764
Preschool Grants, Part B, Sec 619	84.173	13430	58,586
Subtotal Special Education (IDEA) Cluster			2,068,350
Passed Through California Department of Education			
Adult Basic Education & ELA	84.002A	14508	9,642
Adult Secondary Education (Section 231)	84.002	13978	48,720
Institutionalized Adults (Section 225)	84.002	13971	40,155
Subtotal			98,517
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	1,132,952
Title II, Part A - Supporting Effective Instruction	84.367	14341	61,619
Title III - English Learner Student Program	84.365	14346	100,966
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	75,668
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	79,060
Strengthening Career and Technical Education for the 21st Century: Secondary, Section 131	84.048	14894	51,646
Total U.S. Department of Education			3,668,778
U.S. Department of Agriculture			
Passed through California Department of Social Services			
Child and Adult Care Food Program	10.558	13529	264,581
Cash in Lieu of Commodities	10.558	13534	18,301
Subtotal			282,882
Passed Through California Department of Education			
Child Nutrition Cluster			
School Lunch - Section 4	10.555	13523	362,072
School Lunch - Section 11	10.555	13524	1,112,696
Supply Chain Assistance (SCA) Funds	10.555	15655	453,416
Commodities	10.555	13524	361,796
Subtotal			2,289,980

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
School Breakfast Basic	10.553	13525	$ 356,664
School Breakfast Needy	10.553	13526	433,772
Subtotal			790,436
Subtotal Child Nutrition Cluster			3,080,416
Passed Through San Luis Obispo County Office of Education			
Forest Service Schools and Roads Cluster			
Forest Reserve Funds	10.665	10044	397
Total Forest Service Schools and Roads Cluster			397
Total U.S. Department of Agriculture			3,363,695
Total Federal Financial Assistance			$ 7,032,473

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,196.26	2,207.29
Fourth through sixth	1,571.12	1,574.87
Seventh and eighth	1,055.81	1,056.12
Ninth through twelfth	2,278.65	2,255.15
Total Regular ADA	7,101.84	7,093.43
Extended Year Special Education		
Transitional kindergarten through third	3.25	3.25
Fourth through sixth	1.31	1.31
Seventh and eighth	0.99	0.99
Ninth through twelfth	1.60	1.60
Total Extended Year Special Education	7.15	7.15
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	1.00	1.00
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.26	0.26
Ninth through twelfth	0.26	0.26
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.52	0.52
Total ADA	7,110.51	7,102.10

					Traditional Calendar			Multitrack Calendar			
Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Status
Kindergarten	36,000	38,130	-	38,130	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		55,400	-	55,400	180	-	180	-	-	-	Complied
Grade 2		55,400	-	55,400	180	-	180	-	-	-	Complied
Grade 3		55,400	-	55,400	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		57,195	-	57,195	180	-	180	-	-	-	Complied
Grade 5		57,195	-	57,195	180	-	180	-	-	-	Complied
Grade 6		57,195	-	57,195	180	-	180	-	-	-	Complied
Grade 7		61,439	-	61,439	180	-	180	-	-	-	Complied
Grade 8		61,439	-	61,439	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		64,992	-	64,992	180	-	180	-	-	-	Complied
Grade 10		64,992	-	64,992	180	-	180	-	-	-	Complied
Grade 11		64,992	-	64,992	180	-	180	-	-	-	Complied
Grade 12		64,992	-	64,992	180	-	180	-	-	-	Complied

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Building Fund	Bond Interest and Redemption Fund
Fund Balance			
Balance, June 30, 2025, Unaudited Actuals	$ 25,757,976	$ 130,444,098	$ 31,094,946
Decrease in			
Cash in county fair market value	-	(1,691,712)	(229,097)
Lease receivables	(511,721)	-	-
Deferred inflows of resources related to leases	497,181	-	-
Balance, June 30, 2025, Audited Financial Statements	$ 25,743,436	$ 128,752,386	$ 30,865,849

	(Budget) 2026 [1]	2025	2024 [1]	2023 [1]
General Fund [3]				
Revenues	$ 140,846,112	$ 139,450,635	$ 135,995,867	$ 140,038,468
Other sources	300,000	582,157	1,980,705	209,321
Total Revenues and Other Sources	141,146,112	140,032,792	137,976,572	140,247,789
Expenditures	143,694,444	145,656,923	144,603,778	132,760,831
Other uses	-	370,436	872,294	1,958,289
Total Expenditures and Other Uses	143,694,444	146,027,359	145,476,072	134,719,120
Increase/(Decrease) in Fund Balance	(2,548,332)	(5,994,567)	(7,499,500)	5,528,669
Ending Fund Balance	$ 23,195,104	$ 25,743,436	$ 31,738,003	$ 39,237,503
Available Reserves [2]	$ 4,753,169	$ 7,266,961	$ 12,158,103	$ 11,655,385
Available Reserves as a Percentage of Total Outgo	3.31%	4.98%	8.36%	8.65%
Long-Term Liabilities [4]	N/A	$ 459,160,704	$ 369,199,645	$ 364,859,020
K-12 Average Daily Attendance at P-2	7,191	7,111	7,094	6,953

The General Fund balance has decreased by $13,494,067 over the past two years. The fiscal year 2025-2026 budget projects a further decrease of $2,548,332 (9.9%). For a district this size, the State recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by $94,301,684.

Average daily attendance has increased by 158 ADA over the past two years. Additional growth of 80 ADA is anticipated during fiscal year 2025-2026.

[1] Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

[3] General Fund amounts include activity related to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

[4] Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

Name of Charter School	Charter Number	Included in Audit Report
Bellevue-Santa Fe Charter School	0093	No

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
Assets				
Deposits and investments	$ 916,591	$ 896,572	$ 600	$ 2,382,929
Receivables	-	37,894	1,631,610	25,876
Stores inventories	-	-	318,937	-
Total assets	$ 916,591	$ 934,466	$ 1,951,147	$ 2,408,805
Liabilities and Fund Balances				
Liabilities				
Overdrafts	$ -	$ -	$ 77,345	$ -
Accounts payable	-	29,396	213,456	-
Total liabilities	-	29,396	290,801	-
Fund Balances				
Nonspendable	-	200	318,937	-
Restricted	916,591	904,870	1,436,535	2,408,805
Unassigned	-	-	(95,126)	-
Total fund balances	916,591	905,070	1,660,346	2,408,805
Total liabilities and fund balances	$ 916,591	$ 934,466	$ 1,951,147	$ 2,408,805

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Tax Override Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	$ -	$ -	$ 400	$ 4,197,092
Receivables	-	-	-	1,695,380
Stores inventories	-	-	-	318,937
Total assets	$ -	$ -	$ 400	$ 6,211,409
Liabilities and Fund Balances				
Liabilities				
Overdrafts	$ -	$ -	$ -	$ 77,345
Accounts payable	-	-	-	242,852
Total liabilities	-	-	-	320,197
Fund Balances				
Nonspendable	-	-	-	319,137
Restricted	-	-	400	5,667,201
Unassigned	-	-	-	(95,126)
Total fund balances	-	-	400	5,891,212
Total liabilities and fund balances	$ -	$ -	$ 400	$ 6,211,409

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
Revenues				
Local Control Funding Formula	$ -	$ 75,000	$ -	$ -
Federal sources	-	98,517	2,908,469	-
Other State sources	-	551,674	3,900,581	-
Other local sources	3,421,003	250,507	189,512	2,347,220
Total revenues	3,421,003	975,698	6,998,562	2,347,220
Expenditures				
Current				
Instruction	-	658,707	-	-
Instruction-related activities				
Supervision of instruction	-	331,280	-	-
Pupil services				
Food services	-	-	7,355,342	-
Administration				
All other administration	-	33,497	199,789	70,210
Plant services	-	7,365	20,730	-
Ancillary services	3,292,907	-	-	-
Facility acquisition and construction	-	-	-	350,811
Total expenditures	3,292,907	1,030,849	7,575,861	421,021
Excess (Deficiency) of Revenues Over Expenditures	128,096	(55,151)	(577,299)	1,926,199
Other Financing Uses				
Transfers out	-	-	-	-
Net Change in Fund Balances	128,096	(55,151)	(577,299)	1,926,199
Fund Balance - Beginning	788,495	960,221	2,237,645	482,606
Fund Balance - Ending	$ 916,591	$ 905,070	$ 1,660,346	$ 2,408,805

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Tax Override Fund	Total Non-Major Governmental Funds
Revenues				
Local Control Funding Formula	$ -	$ -	$ -	$ 75,000
Federal sources	-	-	-	3,006,986
Other State sources	1,326,604	-	-	5,778,859
Other local sources	30,537	13,801	43	6,252,623
Total revenues	1,357,141	13,801	43	15,113,468
Expenditures				
Current				
Instruction	-	-	-	658,707
Instruction-related activities				
Supervision of instruction	-	-	-	331,280
Pupil services				
Food services	-	-	-	7,355,342
Administration				
All other administration	-	-	-	303,496
Plant services	-	-	-	28,095
Ancillary services	-	-	-	3,292,907
Facility acquisition and construction	-	-	-	350,811
Total expenditures	-	-	-	12,320,638
Excess (Deficiency) of Revenues Over Expenditures	1,357,141	13,801	43	2,792,830
Other Financing Uses				
Transfers out	(1,357,434)	(211,721)	-	(1,569,155)
Net Change in Fund Balances	(293)	(197,920)	43	1,223,675
Fund Balance - Beginning	293	197,920	357	4,667,537
Fund Balance - Ending	$ -	$ -	$ 400	$ 5,891,212

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the San Luis Coastal Unified School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District did not have food commodities in inventory.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedules of Financial Trends and Analysis

These schedules disclose 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.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

Other Information
June 30, 2025

San Luis Coastal Unified School District

ORGANIZATION

The San Luis Coastal Unified School District was organized in 1965, and consists of an area comprising approximately 267 square miles. The District operates ten elementary schools, two middle schools, two high schools, one continuation, and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mrs. Marilyn Rodger	President	December 2026
Mrs. Ellen Sheffer	Clerk	December 2026
Mr. Robert Banfield	Member	December 2026
Mr. Chris Ungar	Member	December 2028
Mr. Mark Buchman	Member	December 2026
Mrs. Erica Flores Baltodano	Member	December 2028
Mr. Brian Clausen	Member	December 2028

ADMINISTRATION

NAME	TITLE
Dr. Eric Prater	Superintendent
Mr. Ryan Pinkerton	Assistant Superintendent, Business Services
Mr. Greg Puccia	Assistant Superintendent, Human Resources
Mrs. Lisa Yamashita	Assistant Superintendent, Educational Services
Mrs. Caty Ecklund	Director of Fiscal Services

Independent Auditor's Reports
June 30, 2025

San Luis Coastal Unified School District

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
San Luis Coastal Unified School District
San Luis Obispo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Luis Coastal Unified School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2025.

Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2025

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

To the Governing Board
San Luis Coastal Unified School District
San Luis Obispo, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2025

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

To the Governing Board
San Luis Coastal Unified School District
San Luis Obispo, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Not Applicable
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002. Our opinion on state compliance is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 12, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

San Luis Coastal Unified School District

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Child Nutrition Cluster	10.555, 10.553
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs:	Unmodified

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2025-001 30000 – Financial Statement Preparation and Audit Adjustments (Material Weakness)

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to fraud or error. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

Communicating Internal Control Related Matters Identified in an Audit provides for a definition of a material weakness and a significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain accrual closing entries, government–wide reporting conversion entries and footnotes. During the course of our engagement, it was noted that the Building Fund's cash in county fair market value was overstated by $1,691,712 and the Bond Interest and Redemption Fund's cash in county fair market value was overstated by $229,097. These material misstatements have been corrected by the District.

Context

The conditions were identified as a result of our audit. During our review of available District records and audit procedures performed it was noted that the financial statements were materially misstated.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements.

Effect

The effect of the error resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process. As reported on the 2024-2025 unaudited financial statements, the District's Building Fund was overstated by $1,691,712 and the Bond Interest and Redemption Fund was overstated by $229,097. These material misstatements have been corrected by the District.

Repeat Finding

Yes, see prior year finding item 2024-001.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan and Views of Responsible Officials

The District agrees that having an internal control system over monitoring financial reporting is an important part of the District's overall internal control process. The District has created processes to monitor and implement these controls.

None reported.

The following finding represents a significant deficiency and an instance of noncompliance including questioned costs that are required to be reported by the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
61000	Classroom Teacher Salaries

2025-002 61000 – Classroom Teacher Salaries (Significant Deficiency, Noncompliance)

Criteria

In accordance with the requirements of *Education Code* Section 41372, pursuant to the provisions of *Education Code* Section 41374, determine whether, after applicable audit adjustments, the district met the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers as set forth in *Education Code* Section 41372.

Condition

For the current year, the District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers as set forth in *Education Code* Section 41372. For unified school districts, the minimum percentage required is 55%. The District's current expense of education on classroom teacher salaries for the year audited was $71,079,986, and the dollar amount by which the District was deficient was $2,984,985.

Cause

As a result of the District receiving significant sources of new funding from the state governments to be used specifically for programs not included in Minimum Classroom Compensation.

Effect

As a result of our testing, the District does not appear to be in compliance with current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers as set forth in *Education Code* Section 41372.

Questioned Costs

There are no questioned costs associated with the finding.

Repeat Finding

Yes, see prior year finding item 2024-003.

Recommendation

We recommend the District evaluate its expenditures and develop a plan to ensure compliance with the above noted requirement. If the District is unable to meet the 55% requirement, we recommend the obtaining of an approved exemption from this requirement from the County Superintendent of Schools.

Corrective Action Plan and Views of Responsible Officials

The predetermined percentage threshold for a unified district is 55%. The District did not meet the threshold by 2.22%; therefore, a waiver application to the San Luis Obispo County Office of Education for exemption will be submitted.

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

Financial Statement Findings

2024-001 30000 – Financial Statement Preparation and Audit Adjustments (Material Weakness)

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to fraud or error. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

Communicating Internal Control Related Matters Identified in an Audit provides for a definition of a material weakness and a significant deficiency. According to these definitions, an internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain accrual closing entries, government–wide reporting conversion entries and footnotes. During the course of our engagement, it was noted that the Building Fund's cash in county fair market value was understated by $263,294 and receivables was overstated by $1,028,097 and the aggregate remaining funds' receivable was overstated by $95,126. These material misstatements have been corrected by the District. In addition to the corrected material misstatements, the auditors noted uncorrected misstatements to the District's General Fund which resulted in an understatement of cash in county fair market value by $116,845 and accounts payable by $200,128 and Bond Interest and Redemption Fund which resulted in an understatement of cash in county fair market value by $71,312.

Context

The conditions were identified as a result of our audit. During our review of available District records and audit procedures performed it was noted that the financial statements were materially misstated.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements.

Effect

The effect of the error resulted in misstatements that were not detected or prevented by the District's internal accounting control and review process. As reported on the 2023-2024 unaudited financial statements, the District's Building Fund was overstated by $764,803 and the aggregate remaining funds were overstated by $95,126. These material misstatements have been corrected by the District. In addition to the corrected material misstatements, the District's General Fund was overstated by $82,283 and Bond Interest and Redemption Fund was understated by $71,312 as a result from the uncorrected misstatements.

Recommendation

A thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Current Status

Not implemented, see current year finding item 2025-001.

Federal Award Findings

2024-002 50000 - Child Nutrition Cluster – Indirect Costs (Significant Deficiency in Internal Controls Over Compliance, Noncompliance)

Federal Agency: U.S. Department of Agriculture
Pass-Through Entity: California Department of Education
Program Name: Child Nutrition Cluster
Federal Financial Assistance Listing: 10.553, 10.555
Compliance Requirement: A/B – Allowed or Unallowed & Allowable Costs/Cost Principles
Type of Finding: Significant deficiency and noncompliance

Criteria

The United States Department of Education has approved a delegation agreement with the California Department of Education (CDE) that authorizes the CDE to establish indirect cost rates for California local education agencies (LEAs). The CDE has been delegated authority to calculate and approve indirect cost rates annually for LEAs. For the Child Nutrition Cluster in fiscal year 2023-2024, California *Education Code* Section 38101(c) limits school district indirect costs to the lesser of the District's individual CDE approved indirect cost rate or the statewide average indirect rate.

Condition

The District charged unallowable indirect costs totaling $8,403 to the Child Nutrition Cluster.

Cause

The condition identified appears to be due to the District utilizing the incorrect indirect cost rate when performing the indirect costs calculations for the federal program.

Effect

The District has charged unallowable expenditures to the federal programs.

Questioned Costs

The condition identified above resulted in $8,403 of questioned costs for unallowable indirect costs charged to the grant funds.

Context/Sampling

The condition was identified through recalculation of the indirect costs charged to the federal program.

Recommendation

It is recommended that the District implements a review process for indirect costs, which should include review of relevant grant agreements and relevant federal guidance.

Current Status

Implemented.

State Compliance Findings

2024-003 61000 – Classroom Teacher Salaries (Significant Deficiency, Noncompliance)

Criteria

In accordance with the requirements of *Education Code* Section 41372, pursuant to the provisions of *Education Code* Section 41374, determine whether, after applicable audit adjustments, the district met the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers as set forth in *Education Code* Section 41372.

Condition

For the current year, the District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers as set forth in *Education Code* Section 41372. For unified school districts, the minimum percentage required is 55%. The District's current expense of education on classroom teacher salaries for the year audited was $69,122,489, and the dollar amount by which the District was deficient was $4,083,673.

Cause

The District received one-time state and federal funds to address and respond to the effects of the COVID-19 pandemic. These funding sources were used in part toward classroom teacher salaries and benefits; however, a significant portion of these funds was used toward purchasing materials and supplies and contracted services due to shortages of available applicants. As such, the District was unable to meet the 55% requirement for classroom teacher salaries.

Effect

As a result of our testing, the District does not appear to be in compliance with current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers as set forth in *Education Code* Section 41372.

Questioned Costs

There are no questioned costs associated with the finding.

Recommendation

We recommend the District evaluate its expenditures and develop a plan to ensure compliance with the above noted requirement. If the District is unable to meet the 55% requirement, we recommend the obtaining of an approved exemption from this requirement from the County Superintendent of Schools.

Current Status

Not implemented, see current year finding item 2025-002.

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APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF SAN LUIS OBISPO AND SAN LUIS OBISPO COUNTY

*The Bonds are not a debt of the City of San Luis Obispo (the **"City"**) or the County of San Luis Obispo (the **"County"**). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect* ad valorem *taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

General Information

***The City*.** The City is located approximately 235 miles south of downtown San Francisco and 200 miles north of Los Angeles, on the central coast of the State of California (the "**State**"). The City is situated along State Route 101 and is the county seat of the County. The City is located 315 feet above sea level in gentle mountain valley. The City has mild summers with an average high temperature of 70 degrees.

The County. The County is the fifteenth largest county in the State and is located in the mid coast of the State. The County borders the Pacific Ocean, with Monterey County to the north, Santa Barbara County to the south and Kern County to the east. The County lies near the Southern Coast Ranges which extend northwest to southeast. The Santa Lucia Range dominates the western half of the County; the eastern boundary lies along the Temblor Range There is little level land except in some coastal valleys, along the northern border, and in the Carrizo Plain. Los Padres National Forest is located in the south central part of the County. Along the coast, the climate is moderate. In the City, the mean annual temperature is 54 degrees with an average annual rainfall of 22 inches. The average temperature is higher with less rainfall in the inland areas. During the summer, the temperature may be as much as 40 degrees cooler along the coast than in the interior.

Along the Pacific coastline of the County are many recreational areas and tourist attractions. Some popular activities are swimming, clamming, picnicking, boating, surfing, fishing and water skiing at the beaches, lakes and parks of the County. The nationally known Hearst Castle in San Simeon attracts over one million visitors annually.

Population

The following table lists population estimates for the City, the cities within the County, and County for the last five calendar years, as of January 1.

SAN LUIS OBISPO COUNTY
Population Estimates
Calendar Years 2022 through 2026 as of January 1

Area	2022	2023	2024	2025	2026
Arroyo Grande	18,110	17,954	17,954	17,922	17,780
Atascadero	30,187	30,193	30,306	30,223	30,184
El Paso De Robles	30,863	30,653	30,935	31,151	31,525
Grover Beach	12,635	12,522	12,528	12,541	12,502
Morro Bay	10,397	10,302	10,322	10,379	10,307
Pismo Beach	7,898	7,833	7,853	7,836	7,773
San Luis Obispo	**47,436**	**48,152**	**48,869**	**49,849**	**50,165**
Total Unincorporated	121,444	120,906	119,879	119,765	119,006
Total County	**278,970**	**278,515**	**278,646**	**279,666**	**279,242**

Source: State Department of Finance estimates (as of January 1).

Employment Industry

The District is included in the San Luis Obispo-Paso Robles Metropolitan Statistical Area ("**MSA**"). The unemployment rate in the County was 4.6% in September 2026, down from a revised 4.7% in August 2026, and below the year-ago estimate of 4.7%. This compares with an unadjusted unemployment rate of 5.1% for the State and 4.0% for the nation during the same period.

The table below lists employment by industry group for the County for the years 2021 through 2025.

SAN LUIS OBISPO-PASO ROBLES MSA
(San Luis Obispo County)
Annual Average Civilian Labor Force, Employment and Unemployment, Unemployment by Industry
(March 2025 Benchmark)

	2021	2022	2023	2024	2025
Civilian Labor Force (1)	130,500	131,500	133,200	134,900	135,700
Employment	123,300	127,300	128,500	129,500	129,800
Unemployment	7,200	4,300	4,800	5,400	5,900
Unemployment Rate	5.5%	3.2%	3.6%	4.0%	4.4%
Wage and Salary Employment: (2)					
Agriculture	5,000	5,500	5,700	5,700	5,200
Mining, Logging, Construction	9,100	8,900	8,700	8,900	8,800
Manufacturing	7,900	8,200	8,500	8,400	8,100
Wholesale Trade	2,600	2,600	2,500	2,500	2,300
Retail Trade	13,500	13,700	13,500	13,400	13,400
Trans., Warehousing, Utilities	3,700	3,800	3,900	4,000	4,200
Information	1,200	1,300	1,200	1,100	1,100
Financial and Insurance	2,300	2,100	2,000	1,800	1,800
Real Estate, Rental & Leasing	1,600	1,800	1,900	1,900	1,800
Professional and Business Services	11,000	11,100	11,000	10,800	10,800
Educational and Health Services	17,500	18,100	18,500	18,800	19,800
Leisure and Hospitality	17,400	19,500	20,200	20,700	20,300
Other Services	3,400	3,700	3,900	4,100	4,100
Federal Government	600	600	600	600	600
State Government	10,200	10,400	10,400	10,700	10,500
Local Government	12,400	12,400	12,500	13,000	13,000
Total All Industries (3)	119,300	123,500	124,800	126,200	125,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The table below lists the largest employers in the County as of October 2026, listed alphabetically.

SAN LUIS OBISPO COUNTY
Major Employers

Employer Name	Location	Industry
Adventist Health Twin Cities	Templeton	Hospitals
AG Metrics Group	San Luis Obispo	Agricultural Consultants
Ami Sierra Vista Radiology	San Luis Obispo	Physicians & Surgeons
Apple Farm Inn	San Luis Obispo	Hotels & Motels
Arroyo Grande Community Hosp	Arroyo Grande	Hospitals
Broad Street Storage	San Luis Obispo	Storage-Household & Commercial
Cal Poly State University	San Luis Obispo	Schools-Universities & Colleges Academic
California Mid-State Fair	Paso Robles	Concert Venues
California State Parks	San Simeon	State Parks
Cuesta College	Paso Robles	Junior-Community College-Tech Institutes
Dignity Health-French Hosp Med	San Luis Obispo	Hospitals
Glenair Inc	Paso Robles	Aerospace Industries (mfrs)
Madonna Inn Bakery	San Luis Obispo	Resorts
Medi-Cal Eligibility Info	Atascadero	Government Offices-County
Morro Bay Art Assn	Morro Bay	Art Galleries & Dealers
Pacific Gas & Electric Co	San Luis Obispo	Electric Companies
Paso Robles Personnel Dept	Paso Robles	City Government-General Offices
Pismo State Beach	Oceano	State Parks
San Luis Obispo County Ofc-Edu	San Luis Obispo	School Districts
San Luis Obispo Sheriff's Dept	San Luis Obispo	Sheriff
Talley Farms	Arroyo Grande	Farms
Transportation Department	San Luis Obispo	State Government-Regulation & Administration-
Trust RCM	San Luis Obispo	Billing Service
Walmart	Arroyo Grande	Department Stores
Zurn Engineered Water Sltns	Paso Robles	Valves & Pipe Fittings NEC (mfrs)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2026 2nd Edition.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total estimated effective buying income and the estimated median household effective buying income for the City, the County, the State and the United States for the period 2023 through 2027.

CITY OF SAN LUIS OBISPO, COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA AND UNITED STATES
Estimated Effective Buying Income
2023 through 2027

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2023	City of San Luis Obispo	$1,792,418	$61,282
	San Luis Obispo County	10,374,155	73,601
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of San Luis Obispo	$2,007,413	$65,512
	San Luis Obispo County	11,341,817	77,351
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876
2025	City of San Luis Obispo	$2,041,795	$67,682
	San Luis Obispo County	11,727,405	82,008
	California	1,557,429,767	82,725
	United States	12,525,577,707	69,687
2026	City of San Luis Obispo	$2,301,032	$71,181
	San Luis Obispo County	12,724,390	86,128
	California	1,730,654,738	90,403
	United States	13,932,177,817	75,433
2027	City of San Luis Obispo	$2,449,087	$77,714
	San Luis Obispo County	13,861,656	93,046
	California	1,777,381,182	91,733
	United States	14,288,950,563	76,807

Source: Claritas, LLC.

Commercial Activity

A summary of historic taxable sales within the City and County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the first quarter of calendar year 2026 in the City were reported to be $468,914,862, a 5.8% increase over the total taxable sales of $443,035,872 reported during the first quarter of calendar year 2025.

CITY OF SAN LUIS OBISPO
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2021 through 2025
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2021	1,292	$1,444,247	2,342	$1,806,306
2022	1,260	1,514,764	2,394	1,880,659
2023	1,209	1,481,878	2,318	1,859,207
2024	1,190	1,467,781	2,286	1,870,294
2025	1,196	1,576,123	2,284	1,909,827

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first quarter of calendar year 2026 in the County were reported to be $1,617,750,781, a 0.8% decrease from the total taxable sales of $1,630,970,114 reported during the first quarter of calendar year 2025.

SAN LUIS OBISPO COUNTY
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2021 through 2025
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2021	6,569	$4,803,344	11,956	$6,695,515
2022	6,533	5,064,032	12,193	7,094,083
2023	6,320	4,884,514	11,907	6,979,934
2024	6,154	4,816,862	11,740	7,008,495
2025	6,115	4,949,828	11,708	7,204,155

Source: State Department of Tax and Fee Administration.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL LLP]

[Closing Date]

Board of Trustees
San Luis Coastal Unified School District
1500 Lizzie Street
San Luis Obispo, California 93401

OPINION: $_____ San Luis Coastal Unified School District
General Obligation Bonds Election of 2022, Series C

Members of the Board of Trustees:

We have acted as bond counsel to the San Luis Coastal Unified School District (the "District") in connection with the issuance by the District of the general obligation bonds captioned above (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we deem necessary to render this opinion.

The Bonds are issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the District (the "Board") on October 20, 2026 (the "Bond Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Bond Resolution, and on the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a school district with the power to adopt the Bond Resolution, perform the agreements on its part contained therein, and issue the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District, enforceable against the District.

3. The Bonds have been duly authorized and executed by the District, and are valid and binding general obligations of the District.

4. The county in which the District is located is obligated and authorized under the laws of the State of California to levy *ad valorem* taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
(San Luis Obispo County, California)
General Obligation Bonds,
Election of 2022, Series C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the San Luis Coastal Unified School District (the "**District**") in connection with the execution and delivery of the above-captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on October 20, 2026 (the "**Resolution**"). U.S. Bank Trust Company, National Association is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District.

"*Dissemination Agent*" means, initially, Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank Trust Company, National Association, or any successor thereto.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2027, with the report for the 2025-26 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) notice to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

(i) assessed valuation of taxable properties in the District;

(ii) assessed valuation of properties of the top ten taxpayers;

(iii) property tax collection delinquencies for the District, but only if the District is no longer a participant in the County of San Luis Obispo's Teeter Plan; and

(iv) in addition to any of the information expressly required to be provided under paragraphs (i) through (iii), of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a

receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally

recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District

under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2026

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

By: _____
Name:_____
Title:_____

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

SAN LUIS OBISPO COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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County of San Luis Obispo

Treasurer's Investment Policy 2026

James W. Hamilton, CPA County Treasurer

James W. Hamilton, CPA, Treasurer
San Luis Obispo County

1055 Monterey Street
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Approval Schedule

- *County Treasury Oversight Committee (CTOC)*
  Meeting on November 17, 2025

- *County Board of Supervisors*
  Meeting on December 9, 2025

Approved policy will remain in effect until succeeding policy is adopted.

Investment Policy

- Established: May 1983

- Current Revision: December 2025

Cover Photos by Ryan Richmond and Mark Maier

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Overview

1. Purpose
   The purpose of the San Luis Obispo County Treasury Investment Policy is to clearly state the guidelines and standards established by the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector for management of the County's Combined Pool Investment Fund, including prudent investment, objectives, internal controls, oversight, and reporting requirements.

2. Frequently Used Abbreviations
   Throughout the pages which follow, the San Luis Obispo County Treasury Investment Policy will be referred to as the "Policy," the San Luis Obispo County Combined Pool Investment Fund will be referred to as the "Combined Pool," the San Luis Obispo County Auditor-Controller-Treasurer-Tax Collector will be referred to as the "County Treasurer," and California Government Code will be referred to as "CGC."

3. Preface
   a. This Policy has been researched, prepared, and written under the direction of the County Treasurer, with input from the County Administrative Office and the County Treasury Oversight Committee. The Policy is presented annually to the County Board of Supervisors for approval as required by CGC §53646 and shall remain in effect until the succeeding policy is adopted.
   b. The statements made herein are intended to ensure the achievement of the purpose, goals, and objectives of the Combined Pool portfolio in an orderly, accurate manner. Some portions are a restatement of State law but are included because they are integral to the purpose and flow of the policy.
   c. There is no guarantee that problems, errors, or losses will not arise while administering the investment of public funds. Obstacles that may affect the achievement of the goals and objectives of the portfolio include, but are not limited to, unforeseen national or international events or crises, natural disasters, unexpected demands on cash flow, errors in data or advice used to make decisions, as well as any other unforeseen event that may have an effect on local, national, or international financial markets, economies or politics which in turn has an effect upon the fund.
   d. All investments made while this policy is in effect are governed by the statements and constraints contained herein. Investments made prior to the adoption of this policy are subject to the policy in place at the time the investment was made. The County Treasurer will consider efforts to reposition investments made under prior policies to comply with the current policy, subject to the risk-reward tradeoff inherent in such changes.
   e. In addition to this Policy itself, the County Treasurer also maintains detailed procedures to support and ensure compliance with the Policy.

4. Policy
    a. The County Treasurer shall prudently manage County funds and funds of local agencies in the Combined Pool pursuant to the defined objectives, which in order of priority, are safety, liquidity, and yield, while maintaining compliance with relevant laws and policies.
    b. While this Policy is intended to guide the investment activities of the Combined Pool, nothing in this Policy is intended to prevent the County Treasurer from acting in the best interest of the County in the face of changing market conditions and circumstances. The County Treasurer is therefore authorized to make written exceptions to this policy within the limits of CGC and all relevant laws.
    c. Any requests for exceptions must be made in writing to the County Treasurer from the Treasury Manager, a Deputy County Treasurer, or a person acting in one of these capacities.

5. Scope
    a. This Policy is intended to cover all investment activities in the Combined Pool under the direct authority of the County Treasurer. The County maintains the Combined Pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include County departments, agencies, schools, and special districts. A list of all participants is maintained by fund in the County's enterprise financial system.
    b. Since bank accounts are not considered investments per CGC, banking processes, standards, and relationships are not subject to this Policy, although a section on bank accounts and their use within the overall investment strategy is included herein for reference.

6. Objectives and Strategy
    a. The objectives of the Combined Pool are in order of priority: to ensure safety, then to meet liquidity needs, and finally to earn a return, while maintaining compliance with federal, state, and local laws and regulations.
    b. The County Treasurer is first and foremost a custodian of funds, and accordingly, emphasizes conservative investment strategies, even within what is allowed by government codes and practiced by many other government agencies. All investments are subject to risk, and no policy will eliminate risk in all cases. Such conservative and risk-avoidance approaches to investment management designed to emphasize safety, may result in correspondingly lower portfolio yields, but also reduce exposure to losses of principal.
    c. Safety
        i. The Combined Pool shall be managed in a manner that ensures the safety of the principal by minimizing risk. Exposure to risk may come from such factors as changing market conditions, potential default by an issuer of investments, rising interest rates which devalue fixed rate investments,

unforeseen cash flow needs which may create unplanned liquidity needs, and more. Risk will be managed by multiple methods, including:

1. Limiting investments to the safest types of securities.
2. Diversifying issuers, instruments, and maturities.
3. Setting maximum limits for each issuer.
4. Setting maximum limits for each type of investment.
5. Emphasizing investments which are guaranteed by the government explicitly, implicitly, or through FDIC insurance, or have pledged collateral to secure the principal balance.
6. Pre-qualifying custody financial institutions, which hold purchased securities on behalf of the County, and requiring them to hold such securities in the County Treasurer's name.
7. Planning cash flow such that investment maturities and available bank balances meet planned cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
8. Various restrictions on investments as contained in the Policy.
9. Additional methods as determined by the County Treasurer.

ii. The Combined Pool shall be managed with a high degree of care and prudence. While all investments contain a degree of risk, the proper exercise of prudence, the adherence to a high level of ethical standards, the proper delegation of authority, and strong internal controls reduce the risk of any realized loss.

d. Liquidity

The County Treasurer shall maintain cash flow projections and shall ensure the Combined Pool has sufficient liquidity to meet all operating cash flow requirements of the participants. Pursuant to CGC §63646(b).3, the County Treasurer also includes as part of the Quarterly Report of Investments, a formal statement regarding the ability of the Combined Pool to meet anticipated needs of participants for the upcoming six (6) months. This will be accomplished by structuring the portfolio so that maturities meet cash flow requirements. The Combined Pool shall include marketable securities to assist in meeting unanticipated cash requirements.

e. Yield

Each purchase made shall be subject to meeting the requirements of safety, liquidity, and competitive pricing. Subject to meeting the requirements of safety and liquidity first, as well as all requirements of government code and this Policy, reasonable efforts will be made to earn the maximum available yield.

f. Legal Compliance

This Policy is written to be in compliance with federal, state, and local laws and regulations. The Combined Pool is managed in compliance with this Policy and applicable laws. Whenever laws change, any affected section in this policy shall automatically change accordingly to conform to law.

7. Authority/Delegation of Authority
    a. CGC §27000.1 and §53607 authorize the Board of Supervisors to delegate, on an annual basis, full investment, and depository authority to the County Treasurer. Approval of this Policy constitutes such delegation. CGC §24101 further authorizes the County Treasurer to delegate this authority to one or more Deputy County Treasurers or another qualified management level employee.
    b. The County Treasurer may also engage the services of one or more external investment managers to assist in the management of the Combined Pool in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Policy. Each external manager assigned any portion of the Combined Pool must be registered under the Investment Advisors Act of 1940 and must individually comply with the investment parameters established by this Policy.
    c. No person may engage in an investment transaction except when delegated to do so by the County Treasurer and only as provided under the terms of this Policy and the procedures established and approved by the County Treasurer.
    d. To provide limits and structure to the delegation of authority to manage investments, the County Treasurer will maintain a list of authorized County investment personnel, authorized financial dealers and institutions, and a system of internal controls and written procedures to regulate the activities of investment personnel, as outlined in this Policy, and as may be modified from time to time by approval of the County Treasurer.

Administration, Controls, and Oversight

8. Fiduciary Responsibility: Standards of Care
    a. The County Treasurer shall manage the Combined Pool pursuant to the "Prudent Investor Standard," as defined in CGC §27000.3(c): When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the County Treasurer or the Board of Supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.
    b. Investment personnel, while exercising due diligence and acting in compliance with federal, state, and local laws and regulations in accordance with the County Treasurer's written policies and procedures, and this Policy, shall be relieved of personal responsibility for market and credit risks provided that deviations from expectations are reported in a timely manner. For purposes of example, this could involve reporting a credit rating downgrade on an investment held by the Treasury. Such information should be reported immediately to the County Treasurer and/or a Deputy County Treasurer.

9. Ethics and Conflict of Interest
    a. Individuals performing the investment function and members (including their designated alternates) of the County Treasury Oversight Committee (CTOC), as described in Section 16 of this Policy, shall maintain the highest standards of conduct. This includes maintaining independence and having no actual conflicts of interest or appearance of such.
    b. County Treasury investment personnel and members of the CTOC shall:
        i. Refrain from any personal business activity that could conflict with the proper execution and management of the investment program.
        ii. Not engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with their duties or that could affect their ability to make impartial decisions.
        iii. Not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the County.
        iv. Not solicit or accept rebates, gifts, gratuities, or favors from any bank, broker, dealer, or any other person, firm, or organization with which the County Treasurer conducts business, unless such rebates, gifts, gratuities, or favors are available to the general public under the same conditions.

Exceptions may be made for minor items of advertising and other items of minimal value with the approval of the County Treasurer.

v. Disclose any material interest in financial institutions, with which the County does business, and any personal financial or investment positions that could create the appearance of lack of independence.

c. In addition, per CGC §27132.1 - §27133.3, CTOC members shall:
   i. Not be employed by an entity that has contributed to the campaign of a candidate for the office of County Treasurer or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the County Treasury in the previous three years or during the period that the employee is a member of the committee.
   ii. Not directly or indirectly raise money for a candidate for County Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member on the committee.
   iii. Not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the County Treasurer is doing business during the period that the person is a member of the committee or for one year after leaving the committee.
d. Nothing in this Policy supersedes any County ordinance or State law which regulates conduct. This Policy may set standards higher than those established by ordinances or other laws.

10. Internal Controls and Procedures
   a. The County Treasurer shall establish and maintain a system of internal controls, which are appropriate for the circumstances, to provide reasonable assurance that the investment objectives are met, and to ensure that the assets of the Combined Pool are protected from loss, theft, or misuse. The concept of "reasonable assurance" recognizes that the cost of control shall not exceed the benefits likely to be derived, and that the valuation of costs and benefits requires estimates and judgments by management.
   b. Internal controls shall include, but not be limited to:
      i. Clear delegations of authority.
      ii. Provisions for legal compliance monitoring.
      iii. Third party safekeeping of investments.
      iv. Provisions for ongoing monitoring and auditing of internal controls.
      v. Written procedures, consistent with this Policy, for the operation of the investment program. These procedures, inclusive of those noted below in Section 10.c shall include reference to separation of duties, safekeeping, collateralization, wire transfers, and banking related activities.
   c. Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

i. All investment transactions conducted by the County Treasurer's Office shall be immediately verified and entered in the treasury investment management system.
ii. County investments shall be executed, confirmed, accounted for, and audited by different people.
    1. Daily investment activity, preparation of investment tickets, and trade instructions to custody shall be handled by designated investment personnel.
    2. Broker investment confirmations shall be reviewed and compared to the investment tracking system by designated staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to a Deputy County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction).

11. Safekeeping of Investments
    a. Securities purchased shall be held in the County Treasurer's name and deposited for safekeeping with the custodian bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third-party trust department arrangements provide the County with a perfected interest in, ownership of, and control over the securities held by the custodian bank on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts.
    b. Security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the County's external auditors. Authorized staff, not directly supervised by investment personnel, shall compare the safekeeping statements provided by the custodian bank with the statements generated by the treasury investment management system utilized by the County Treasurer.
    c. Security transactions are to be conducted on a "delivery vs. payment basis." This ensures that securities are deposited in the County Treasurer account with the custodian bank prior to the release of funds.
    d. A list of individuals, who are authorized to handle investment transactions and wire transfers, together with their signatures, shall be provided to the custodian bank and the depository banks.
    e. Trade instructions to the custodian banks shall be made for all investment purchases or sale transactions, either by electronic transmission or facsimile.
    f. Collateralized certificates of deposits and Teeter Notes shall be safe kept in the County Treasurer's vault.

(Administration, Controls, and Oversight – Continued)

12. Competitive Bidding
    All investment transactions shall be made through the use of competitive bids whenever possible. If the solicitation of competitive bids is not feasible or practical, the reason will be stated in the transaction documentation.

13. Documentation
    Procedures and forms have been created and are used which produce documentation to facilitate:
    i. Clear and concise audit trails for all transactions.
    ii. Strong internal controls.
    iii. Evidence of the use of competitive bidding or written explanation for non-compliance to the competitive bid process.
    iv. Written criteria for the selection of the investment type.

14. Terms for Combined Pool Deposits and Withdrawals
    a. CGC §27133 and §27136 require the County Treasurer through this Policy to define the limits and conditions under which local agencies having their money in the Combined Pool may deposit and withdraw their funds for investment purposes. Per CGC §53607, the County Treasurer is the final authority as to how funds, which the County Treasurer is held responsible for overseeing, are to be invested. The County Treasurer shall take into account the current financial condition of the sum total of the Combined Pool's agencies, market conditions, as well as the cash flow projections and the potential for changes in the Combined Pool's cash needs. The County Treasurer shall protect the earnings of each individual local agency in the Combined Pool, and see that decisions are made that treat all Combined Pool participants in a fair and equitable manner.
    b. Should a legislative body of a local agency determine that certain funds would not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. The County Treasurer may specify terms and conditions for such an investment.
    c. Funds will be accepted at all times, in the manner prescribed, from those agencies where the County Treasurer is also the treasurer for the local agency, or from any agencies that by statute must place their money in the Combined Pool. Interest shall be earned based on the average daily balance apportioned on a quarterly basis.
    d. Local agencies from outside the County may not deposit funds in the Combined Pool unless the County Treasurer deems such participation to be in the best interest of the County. If the participation of such an entity is in the best interest of the County, the County Treasurer will establish terms of participation (limits, fees, interest, etc.) and the agency shall be required to submit to those terms and sign a contract prior to any of its funds being accepted into the Combined Pool.

e. Funds from local agencies within the County, not required by statute to deposit their excess funds in the Combined Pool, and wishing to participate in the Combined Pool, may be accepted if the County Treasurer is assured that these funds are in lieu of longer-term investments. Such funds are subject to withdrawal restrictions for a set minimal term to be agreed upon prior to the funds being accepted into the Combined Pool and may only be withdrawn subject to the conditions described in Section 15 below.
    i. These terms will be agreed to, and contracts signed prior to any such funds being accepted into the Combined Pool.
    ii. Specific investments are not normally permitted with such funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

15. Withdrawal of Funds
    a. For normal operations, the Combined Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of the fund's participants. The County Treasurer will consider all requests to withdraw funds for normal operations at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements shall be followed to allow for adjustments to the liquidity position of the Combined Pool.
        i. Withdrawals of up to $1,000,000: 24 hours prior to 8:00 a.m. on the disbursement date.
        ii. Withdrawals of up to $5,000,000: 48 hours prior to 8:00 a.m. on the disbursement date.
        iii. Withdrawals of $5,000,001 and above: 72 hours prior to 8:00 a.m. on the disbursement date.
    b. For investment purposes outside the Combined Pool, the County Treasurer shall provide a form to agencies requesting withdrawal of funds for investment purposes (see Appendix C). The County Treasurer expresses no opinion on the suitability of any investment contemplated in connection with withdrawals for investment purposes and requires a resolution approving the withdrawal from the agency's governing board.
        i. Withdrawals of up to $5,000,000: submit request form and approved resolution 10 calendar days prior to withdrawal date.
        ii. Withdrawals of $5,000,001 and above: submit request form and approved resolution 20 calendar days prior to withdrawal date.
    c. The County Treasurer will assess the effect of a proposed withdrawal on the stability and predictability of the remaining investments in the Combined Pool, based on such factors as:
        i. Size of the withdrawal.

ii. Size of the remaining balances of the Combined Pool and the agency requesting the withdrawal.
iii. Adequacy of remaining balances in the Combined Pool to cover costs.
iv. Current market conditions.
v. Effect on predicted cash flows.
vi. Adequate information supplied to the County Treasurer in order to make a proper finding that other Combined Pool participants will not be adversely affected. If the County Treasurer finds that a withdrawal will adversely affect other participants, the County Treasurer may approve the withdrawal if the County Treasurer and the requesting agency arrive at an agreement that will negate this effect.

d. Once the funds are withdrawn from the Combined Pool, the agency assumes full responsibility for its investments, and for establishing appropriate policies governing them. Each member of the governing body of the agency also assumes personal liability and responsibility for maintaining the prudent investor standard, per CGC §53600.3. The County Treasurer does not direct or set rules on such policies or the investments of these funds.

16. External Oversight: County Treasury Oversight Committee (CTOC)

a. Pursuant to CGC §27130 et seq., the County Board of Supervisors, in consultation with the County Treasurer, created a CTOC. In compliance with CGC §27132 and County Board of Supervisors Resolution 96-47, subsequently superseded by Resolution 2007-303, the CTOC shall consist of five members nominated by the County Treasurer and confirmed by the County Board of Supervisors. The members are:
    i. The County Auditor-Controller.
    ii. A representative appointed by the County Board of Supervisors.
    iii. The County Superintendent of Schools or their designee.
    iv. A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County.
    v. One member of the public with expertise in, or academic background in, public finance.

b. Per CGC §27133 and §27134, the CTOC shall:
    i. Review and monitor the County Treasurer's annual Investment Policy and any subsequent changes thereto, prior to its submission to the County Board of Supervisors for review and adoption.
    ii. Monitor the Combined Pool investment portfolio reports and the portfolio's compliance with law and this Policy.
    iii. Cause an annual compliance audit to be conducted on the Combined Pool, by contracting the services of the County's contracted external auditors, an independent certified public accountant separately contracted by the

CTOC, or any combination thereof. Results of this audit shall be presented to the County Board of Supervisors.

c. Nothing in this Policy shall be construed to allow the CTOC to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

17. External Oversight: Quarterly Review
    a. The County's external auditors shall perform a quarterly audit of the County Treasurer's statement of assets in the County Treasury per CGC §26920. This audit shall verify that the records of the County Treasurer are reconciled and confirm compliance with federal, state, local laws and regulations, and this Policy. Exceptions shall be noted and reported to the County Treasurer and the County Board of Supervisors.
    b. The CTOC members shall be provided with the County Treasurer's Quarterly Report of Investments, for purposes of facilitating their review thereof.

18. External Oversight: Annual Review
    a. The CTOC shall cause an annual compliance audit on this Policy to be conducted per Section 16.b.iii above.
    b. Independent certified public accountants shall perform an annual audit of the books of accounts, financial records, and transactions of all offices of the County, including the County Treasurer.
    c. This Policy shall be presented annually to the County Board of Supervisors for their review and approval at a public meeting.

19. Time and Place of Investing
    Investing will be done on business days during the hours of 6 a.m. and 5 p.m. at the Office of the County Treasurer. The County Treasurer can make exceptions during emergencies or in the best interests of the County.

20. Employee Procedures for Reporting Violations
    Violations of any laws, rules, or regulations with regard to the investment of the money on deposit in the County Treasury are to be reported to the appropriate authority. Any such reporting will not be the subject of adverse action to the employee(s) making such report. A reference list of appropriate authorities can be found in Appendix E.

21. Public Inquiry
    Transactions, holdings, and activities are a matter of public record. Reports are available to the public on the County's website 24 hours a day, 7 days a week.

22. Disaster / Business Continuity Plan

(Administration, Controls, and Oversight – Continued)

a. The goal of the Disaster Recovery Plan is to protect all funds deposited with the County Treasury and allow designated personnel to perform the banking and investment functions to meet the needs of Combined Pool participants if an emergency disrupts normal operations.
b. Each member of the investment team is provided with the Disaster Recovery Plan that includes the following information:
    i. Contact information for key personnel, authorized banks, and brokers/dealers.
    ii. A copy of this Policy.
    iii. The County Treasurer's written policies and procedures.
    iv. Forms and Information.
c. Normal processes may be modified to accommodate the emergency situation. However, the investment restrictions in this Policy and the County Treasurer's written policies and procedures will be strictly followed.
d. Emergency conditions allowing, at least two authorized members of the investment team will meet at an agreed upon location as determined by the County Treasurer.

Investments

23. Authorized Securities Brokers/Dealers and Depository Institutions
    a. The County Treasurer's intent is to enter into long-term relationships with Securities Brokers/Dealers and Depository Institutions. Therefore, the integrity of the firm and the personnel assigned to the County Treasury's account is of primary importance.
    b. Securities Brokers/Dealers must:
        i. Be designated as a "Primary Dealer" by the Federal Reserve Bank of New York or confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.
        ii. Ensure that the assigned staff members must complete a Brokers Agreement, which shall remain in effect until revoked, stating in writing their acceptance and understanding of this Policy.
        iii. Provide related services that will enhance the account relationship, which could include an active secondary market for its securities, internal credit research analysis on the securities offered for sale, willingness to purchase securities from the Combined Pool, capability of providing market analysis, economic projections, newsletters, or other services.
        iv. Provide the County Treasurer with annual financial statements and demonstrate a stable financial condition.
        v. Have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the broker/dealer.
        vi. Process all transactions on a "delivery vs. payment" basis or for repurchase agreements, on a tri-party or bi-party basis.
        vii. Have been in operation for more than five (5) years.
        viii. Deliver all securities to the County Treasurer's custodian bank. (The County Treasurer is prohibited from establishing a broker/dealer account for the purpose of holding the County's securities.)
    c. Repurchase Agreement Counterparties will be limited to either of the following:
        i. Primary government securities dealers who report daily to the Federal Reserve Bank of New York.
        ii. Banks, savings and loan associations, or diversified securities broker-dealers subject to regulation of capital standards by any State or Federal regulatory agency.
    d. CGC §27133(c) prohibits the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the County Treasurer, any member of the governing board of the County or depositing local agency, or any candidate for those offices.

e. Depository Institutions
   i. The County Treasurer shall consider and monitor the credit worthiness and approve each depository institution maintained on the authorized list which he or she determines is in the best interest of the County. For a nationally or state-chartered bank, savings bank, savings association, federal association, and credit union, the County Treasurer will consider the following:
      1. Strong capitalization:
         a. Total risk-based capital ratio of at least 10%.
         b. Common equity tier 1 risk-based capital ratio of at least 6.5%.
         c. Tier 1 risk-based capital ratio of at least 8%.
         d. Tier 1 leverage ratio of at least 5%.
         e. Not subject to directive, order, or written agreement to meet and maintain specific capital levels.
      2. Low exposure to non-performing loans: Total Asset Classification Ratio below 40%.
      3. Favorable credit ratings from nationally known ratings agencies.
      4. Consistent profitability.
      5. Meets banking requirements of the County Treasurer (i.e., electronic handling of deposits and redemption of maturing deposits).
      6. Meets other criteria deemed appropriate by the County Treasurer.
      7. Has received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low and moderate-income neighborhoods, pursuant to governmental regulations.
   ii. Depository Institutions may act as Securities Brokers/Dealers by adhering to the criteria in Section 23b.ii to b.viii above.

24. Trading and Early Sales of Securities
    Investments are to be purchased with the intent of holding the security to maturity. Trading of any security before maturity requires written authorization by the County Treasurer.

25. Authorized Investments, Limits, and Restrictions
    a. The investment of money on deposit in the County Treasury is limited to those investments specified by CGC §53601 and §53635.
    b. This Policy further restricts allowable investment types, maximum amounts, maximum ratios, and maximum maturities as outlined in the Summary of Investment Restrictions included herein.

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Summary of Investment Restrictions

Source of Restrictions →	California Government Code (CGC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
U.S. Treasury Notes	53601 (b)	100%		5 years	100%		5 years
U.S. Treasury Bonds	53601 (b)	100%		5 years	100%		5 years
U.S. Treasury Bills	53601 (b)	100%		5 years	100%		5 years
Cash Management Bills	53601 (b)	100%		5 years	100%		5 years
Federal Agency or U.S. Government-Sponsored Enterprise (GSE) obligations (4)	53601 (f)	100%		5 years	30% each		5 years
Bankers' Acceptances – Domestic (A)	53601 (g)	40%	30%	180 days	30%	10%	180 days
Bankers' Acceptances – Foreign (A)	53601 (g)		30%	180 days	10%	4%	90 days
Commercial Paper (B)	53601 (h) 53635 (a)	40%	10%	270 days	15%	5%	90 days
Repurchase Agreements(C)	53601 (j)	100%		1 year	15%		30 days
Pledged Funds held by a trustee or fiscal agent (D)	53601 (m)	100%		5 years	100%		5 years
State of California Local Agency Investment Fund (LAIF) (E)	16429.1	100%		N/A	20%		On Demand
Public Investment Money Market Accounts (PIMMAs)(Collateralized) (5)	53631 et seq.			N/A	50%	20%	On Demand
Supranationals (F)	53601 (q)	30%		5 years	30%	10%	5 years
Investments Which Must Have Specific Written Approval of the County Treasurer for Each Type of Investment							
Bonds Issued by the County of San Luis Obispo	53601 (a)	100%		5 years	10%		1 year
Registered California State Warrants, or Treasury Notes, or Bonds	53601 (c)	100%		5 years	10%		1 year
Registered Treasury Notes, or Bonds of any of the other 49 states	53601 (d)	100%		5 years	5%		1 year
Bonds, Notes, Warrants or other evidence of indebtedness of any local agency in California	53601 (e)	100%		5 years	10%		1 year
Negotiable CD (Not Collateralized)	53601 (i)	30%		5 years	5%	1%	1 year
Collateralized Certificates of Deposit (7)	53631 et seq.	50%		5 years		1%	90 days
Certificate of Deposit Account Registry Service (CDARS) (8)(G)	53601.8 53635.8			5 years	15%	1%	1 year
FDIC Insured Placement Service Deposits (6)(G)	53601.8 53635.8			N/A	15%		On Demand
Medium-term Notes (H)	53601 (k)	30%		5 years	15%	4%	4 years
Money Market Mutual Fund (Shares of Beneficial Interest) issued by diversified management companies	53601 (l)	20%	10%	On Demand	15%	10%	On Demand
Money Market Mutual Fund (Shares of Beneficial Interest) issued by a Joint Powers Authority	53601 (p)	100%			20%	20%	
Joint Powers Authority Pool	53601 (p)	100%		On Demand	20%	20%	
Notes, Bonds, or other obligations collateralized per CGC §53651 and §53652	53601 (n)	100%		5 years	5%		1 year
Mortgage Pass-through Security, Collateralized Mortgage Obligations,	53601 (o)	20%		5 years	5%		1 year

(Investments – Continued)

Source of Restrictions →	California Government Code (CGC)				San Luis Obispo County Investment Policy		
Exceptions to Policy →	Exceptions Not Allowed				Written Approval of County Treasurer		
Investment Type (1)	CGC Section	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)	% of Total Portfolio (2)	% By Issuer (2)	Max. Maturity (3)
mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond (9)(I)							
Investments Not Allowed in the Investment Policy							
Reverse Repurchase Agreements	53601 (j)	20%		92 days			
Securities Lending Agreements	53601 (j)			92 days			

Footnotes:

(1) See appendix for definitions of investment types.

(2) Where a percentage limit is specified, that limit is applicable on the date of purchase. For purposes of limits on daily investments, the purchase is considered to be made when the deposit is made into the daily investment account, and not each individual day thereafter. Daily Investments are those where the entire balance is subject to daily withdrawal. Even though there may be no change in a daily investment's account balance, it is considered to be "renewed" daily. These investments currently include PIMMAs, LAIF, Joint Powers Authority Pool and FDIC Placement Service Deposits.

(3) Per CGC §53601, the San Luis Obispo County Board of Supervisors has the authority to allow investments with maturities over 5 years on an exception basis.

(4) Federal Home Loan Banks, Federal Farm Credit Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and others.

(5) PIMMAs are interest-bearing active bank accounts, which by code are considered depository accounts, not investments. However, because these accounts are part of the County's investment pool, they are treated as investments for reporting purposes. PIMMAs are fully liquid and collateralized by eligible securities per CGC §53651 et seq.

(6) FDIC Insured Placement Service Deposits are single large deposits distributed into individual deposits of less than $250,000 each with banks that participate in the placement service network. As a result, full FDIC insurance is maintained. These accounts are fully liquid interest-bearing bank accounts, which by code are considered depository accounts, not investments. However, because these accounts are part of the County's investment pool, they are treated as investments for reporting purposes.

(7) Collateralized to secure deposit in excess of the limit covered by FDIC.

(8) Deposits placed through CDARS are distributed into individual Certificates of Deposit (CD) of less than $250,000 each that are fully FDIC insured and placed through a network participating bank that uses the CD Account Registry Service, a private entity that assists in the placement of the individual CDs.

(9) The County Treasurer may invest or direct the investment of these funds when authorized to do so by the County Administrative Officer or the County Board of Supervisors.

Notable Other Restrictions:

(A) Must have the highest short-term credit rating of a NRSRO.

(B) Must be of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical Rating Organization (NRSRO). The entity that issues the commercial paper shall meet all the conditions in either paragraph (1) or (2) of CGC §53601 (h). At time of purchase, issuer must be on the County Treasurer's "Approved Commercial Paper Issuers List".

(C) Market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Maturity limitation of 5 years at the date of purchase does not apply to securities underlying a repurchase agreement. Other restrictions same as underlying securities. The tri-party repurchase agreement between the County Treasurer, the seller, and the custodian or the bi-party repurchase agreement between the County Treasurer and the seller, must be on file in the County Treasurer's Office before conducting repurchase transactions covered by the agreement.

(D) May be invested per specific statutory provisions or in accordance with the ordinance, resolution, indenture, or agreement of a local agency providing for the issuance.

(E) Subject to LAIF restrictions; as of 1/01/20, limited by LAIF to a maximum of $75 million.

(F) Maximum remaining maturity of 5 years or less, eligible for purchase and sale within the United States, and must have a rating of "AA" or better by an NRSRO.

(G) Does not require specific written approval of the County Treasurer for each investment but is listed with the collateralized CDs because CDARS and FDIC Insured Placement Service Deposits are subject to the 50% limit of the portfolio set forth in CGC §53601.8.

(H) Must be issued at a fixed rate. Maturities over 1 year must have a minimum rating of "AA" by S&P, "Aa1" by Moody's, or "AA" by Fitch.

(I) Securities eligible for investment shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a NRSRO and rated in a rating category of "AA" or its equivalent or better by a NRSRO.

Bank Accounts

26. Governing Code and Policy
    Bank accounts, where withdrawals can be made at any time without notice, are not covered by the investment limits and restrictions contained in this Policy, but are subject to CGC §53630, et seq. For sake of clarity and to allow a comprehensive view of the County Treasurer's Combined Pool management strategies, the following policies apply, in addition to applicable government codes, to bank deposit accounts. The County Treasurer will determine the optimal use and mix of bank accounts and investments in executing the Combined Pool's objectives of safety, liquidity, and yield, in the best interests of the County.

27. Fee Credits
    a. Based on average balances maintained, many banks offer credits against banking fees. For checking and other transactional bank accounts, which do not earn interest, the effective return offered through fee credits on average balances may at times be superior to traditional investment alternatives.
    b. The County Treasurer's policy regarding bank account balances therefore shall be to optimize those balances based on a risk-adjusted net rate of return, with fee avoidance being considered a cash return, relative to other investments.

28. Public Investment Money Market Accounts (PIMMAs)
    a. A PIMMA is a bank deposit account that is collateralized per CGC §53651 and §53652. These accounts are bank accounts by code, not investments. Nevertheless, the County Treasurer's policy shall be to treat them as investments for purposes of management, internal controls, oversight, and portfolio statistics.
    b. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited.
    c. Further, any bank accepting a deposit of public funds must pledge securities as collateral pursuant to CGC §53651 and §53652 to secure the principal balance.
        i. The securities must be held in trust for safekeeping by an independent third-party custodian.
        ii. The market value of the securities to be held in trust depends on the type of securities but is typically 110% of the principal balance.
        iii. Other conditions and restrictions apply as the above code sections specify.
    d. PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's own assets and equity. However, if those were inadequate and the bank failed, then the FDIC typically orchestrates efforts to find a purchaser or other solution to make depositors whole, and if that also was inadequate, then per CGC §53665, the County Treasurer could demand the custodian to convert the pledged securities to cash for the benefit of the County.

(Bank Accounts – Continued)

e. Multiple levels of safety, combined with daily liquidity, makes these accounts very attractive, provided the interest rate, which varies widely from bank to bank, is acceptable.
f. Each new PIMMA deposit must be approved by the County Treasurer and must have required documentation pursuant to US Code Title 12, §1823(e), including acknowledgment of the collateralization by a certificate of the secretary of the Board of Directors of the bank.
g. The County Treasurer's policy regarding PIMMAs shall be to use these accounts when the characteristics of safety, liquidity, and yield are favorable compared to traditional investments.

29. FDIC Insured Placement Service Deposits
    a. FDIC Insured Placement Service Deposits are interest-bearing active bank deposit per CGC §53644, not investments. The County Treasurer's policy shall be to treat these accounts as investments for purposes of management, internal controls, oversight, and portfolio statistics.
    b. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than $250,000 each with banks that participate in the placement service network. As a result, full FDIC insurance is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.
    c. The County Treasurer’s policy shall be to use these accounts when the characteristics of safety, liquidity, and yield are favorable compared to other investments and bank accounts.

30. Use of Local Depositories
    Where practical, reasonable efforts will be made to establish deposit accounts at local depositories headquartered within the County for the purpose of stimulating local economic growth. Preference to local depositories will not be given at the expense of meeting the objectives of this Policy.

Reports

31. Reports, Timing, and Distribution
    a. Reports shall be produced and distributed in accordance with CGC as noted below and by resolutions of the County Board of Supervisors. Additional reports may be produced at the option of the County Treasurer.
    b. A summary of all new investment purchases shall be recorded on the Treasurer's Daily Report (TDR).
    c. A quarterly Interest Letter shall be prepared summarizing interest earned and costs incurred for the quarter and be distributed to the County Administrative Office.
    d. A Quarterly Report of Investments shall be produced no later than the 20th of the month after the end of the quarter, and be distributed to the County Board of Supervisors, the County Treasury Oversight Committee, the County Administrative Officer, and the Combined Pool participants that report to a separate board, e.g., school districts and special districts. The report shall include, but not be limited to, the following information:
        i. The type of investment, name of issuer, date of maturity, par, and dollar amount invested.
        ii. A description of any funds, investments that are under the management of contracted parties.
        iii. The market value as of the date of the report.
        iv. The weighted average maturity of investments within the County Treasury.
        v. Information on separately managed funds, which are County funds outside the control of the County Treasurer.
        vi. A Dollar Factor, which can be applied to pool balances to determine market value.
        vii. A statement by the County Treasurer that the Combined Pool is in compliance with this Policy or the manner in which the Combined Pool is not in compliance.
        viii. A statement by the County Treasurer confirming the County Treasury's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.
    e. For public benefit, the Quarterly Report of Investments shall be posted on the County's website within 20 days following the end of the quarter.
    f. The County Treasurer may include the Quarterly Report of Investments on the Board of Supervisors agenda within 60 days following the end of the quarter covered by the report.
    g. An annual report of cash and investments with deposit and investment credit ratings shall be produced for use in the County's Comprehensive Annual Financial Report, which is audited by independent certified public accountants.
    h. When reports include market values of securities held, the source of those values shall be from any combination of the following:

i. The custodian bank holding the securities.
ii. Estimates of values received from broker/dealers.
iii. Internal calculations based on the current market rate for a specific instrument as identified in the County Treasurer's written policies and procedures and adjusted for estimated spreads to that instrument.

32. Performance Measurement and Evaluation
    a. In order to evaluate the effectiveness of the County Treasurer in executing this Policy, the following benchmarks will be used:
        i. For safety, an annual rating of the Combined Pool by a Nationally Recognized Statistical Ratings Organization shall be obtained. The benchmark shall be the top rating issued by that organization. Fitch Ratings has been retained for this purpose.
        ii. For yield and liquidity, the benchmark shall be the weighted average days to maturity and the weighted average yield for the State of California Local Agency Investment Fund (LAIF).
    b. Other benchmarks as determined by the County Treasurer.

33. Quarterly Costs and Interest Income Distribution
    a. Interest is earned based on the average daily balance apportioned on a quarterly basis, after deducting costs as allowed by CGC §27013, §53684, and §27135.
    b. Combined Pool income and/or losses will be calculated using the accrual basis of accounting.
    c. Combined Pool income shall be reconciled daily against cash receipts, and quarterly prior to distribution.
    d. All monies deposited in the Combined Pool by the participants represent an individual interest in all assets and investments in the Combined Pool based upon the amount deposited. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the fiscal quarter.
    e. Prior to the quarterly apportionment of the Combined Pool investment income, the County Treasurer is permitted to deduct the actual cost of managing the Combined Pool. Accordingly, the County Treasurer shall deduct the actual cost incurred for banking and investment related services, including but not limited to: banking fees, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, and the pro-rata annual cost of the salaries including fringe benefits for the personnel in the County Treasurer's Office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

f. Administrative costs will be distributed at 50 percent against earnings of non-specific investments, with the remaining 50 percent against earnings of all investments. Banking costs will be distributed at 80 percent against earnings of non-specific investments, with the remaining 20 percent against earnings of all investments.

Appendix A - Common Credit and Debt Ratings and Definitions

Long-Term Debt and Individual Bank Ratings				
Rating Interpretation	**S&P (1)**	**Moody's (1)**	**Fitch (2)**	**Fitch Individual Bank Rating**
Best-quality grade	AAA	Aaa	AAA	A
High-quality grade	AA+ AA AA-	Aa1 Aa2 Aa3	AA+ AA AA-	A A/B B
Upper Medium Grade	A+ A A-	A1 A2 A3	A+ A A-	B B/C B/C
Medium Grade	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	C C/D C/D
Speculative Grade	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	D D D
Low Grade	B+ B B-	B1 B2 B3	B+ B B-	D/E D/E D/E
Poor Grade to Default	CCC+	Caa	CCC	D/E
In Poor Standing	CCC CCC-	- -	- -	D/E D/E
Highly Speculative Default	CC -	Ca C	CC -	D/E E
Default	- - D	- - -	DDD DD D	E E E

(1) Rating for both Long-Term Debt and Individual Banks
(2) Long-Term Debt Rating only

Short-Term Municipal Note Investment Grade Ratings			
Rating Interpretation	**S&P**	**Moody's**	**Fitch**
Superior Capacity	SP-1+/SP-1	MIG-1	F1+/F1
Strong Capacity	SP-2	MIG-2	F2
Acceptable Capacity	SP-3	MIG-3	F3

Short-Term Commercial Paper Investment Grade Ratings			
Rating Interpretation	**S&P**	**Moody's**	**Fitch**
Superior Capacity	A-1+/A-1	P-1	F1+/F1
Strong Capacity	A-2	P-2	F2
Acceptable Capacity	A-3	P-3	F3

Appendix B - Glossary of Selected Financial and Investment Terms

ACCRUED INTEREST - The amount of interest that is earned but unpaid since the last interest payment date.

AGENCIES OR FEDERAL AGENCIES – (See **GOVERNMENT-SPONSORED ENTERPRISES**)

AMORTIZATION – The repayment of a debt through regular installments of principal and interest scheduled over a period of time which is completed by maturity date.

AMORTIZATION SCHEDULE – A complete schedule which contains the periodic debt repayment dates and the total amount of payments with a breakdown of principal and interest.

ASK or ASKED PRICE or ASKING PRICE – The price a seller is willing to accept for a security, also known as the offer price. (Also see **BID**)

BANKER'S ACCEPTANCE - A time draft drawn on a bank and accepted by that bank as ultimate liability for payment. Used most often to finance import and export transactions. Bankers' acceptances are also collateralized by the underlying merchandise being contracted in the import-export transaction, i.e., a shipload of televisions from Japan, or rice from Thailand. With the credit strength of a bank behind it, the banker's acceptance usually qualifies as a money market instrument.

BASIS POINT - One hundredth of a percent. Example: 0.25% is twenty-five basis points.

BID or BID PRICE – The price a buyer is willing to pay for a security. (Also see **ASK**)

BOND - A long-term debt instrument in which the investor lends money to the bond issuer, which agrees to pay a stated rate of interest over a specified period of time at a fixed interest rate. Bonds are commonly referred to as fixed-income securities.

BOND RATING – A grade given to bonds that indicates their credit quality. Bond ratings are issued by various Nationally Recognized Statistical Rating Organizations (NRSROs) which provide their evaluations of a bond issuer's financial strength, or its ability to pay timely a bond's principal and interest.

BOOK ENTRY - The system maintained by the Federal Reserve, by which securities are delivered, electronically, to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities and records any changes in ownership corresponding to payments made over the Federal Reserve wire system.

(Glossary – Continued)

BOOK VALUE - The value an investor holds on their books as their invested amount in a security. This may be more or less than the current face value of the security, depending on if the security was purchased at a price more or less than the face value.

BROKER - A financial institution that facilitates transactions by matching up buyers and sellers. A broker does not buy securities for inventory purposes. (Also see **DEALER** and **PRIMARY DEALER**)

CALLABLE SECURITIES - A callable security is a bond, preferred stock, or debenture, which may be redeemed or "called" by the issuing company prior to its maturity. The company may have the right to redeem all or part of the debt. Usually done by the company when interest rates drop or when the company can refinance their debt at a lower interest rate.

CASH (SETTLEMENT) – Regarding the settlement date on the purchase of a security, a "cash settlement" is one where the delivery of securities and settlement of the transaction occurs on the same date that the trade is made.

CASH MANAGEMENT BILLS (CMB) - Short-term obligations of the United States Government, sold at a discount from their face value. The discount rate is determined at auction. The U.S. Treasury issues CMBs which range from as little as four days to several months. A CMB is the most flexible instrument of the U.S. Treasury because this can be issued on an as-needed basis to meet temporary shortfalls, in contrast to a regular schedule that the Treasury follows for issuing its other bills and notes. CMBs tend to pay higher yields than bills issued on a regular schedule.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICE (CDARS) - CDARS is a service operated by Promontory Financial Network, an independent private sector company. About 3,000 banks participate in the CDARS network. After a deposit for investment is made with one participating network bank, that bank uses the CDARS service to distribute those funds into individual CDs issued by other members of the CDARS Network. Each such CD is issued in an amount below the standard FDIC insurance maximum ($250,000) so that both principal and interest are eligible for FDIC insurance. The original bank or institution receiving the deposit provides a single statement and reporting to the depositor. The actual CDs are held by a separate custodian bank for safekeeping. More information can be found at www.cdars.com.

CERTIFICATE OF DEPOSIT (CD) - A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CD." Institutional CDs are usually issued in denominations of $100,000 or more. Maturities range from a few weeks to several years. Interest rates are set by competitive forces in the market. (Also see **NEGOTIABLE CERTIFICATES OF DEPOSIT**)

COLLATERAL - Assets or securities which are used to secure a loan or deposit. In the event of default, the lender or depositor assumes ownership of the asset or securities. When securities are used as collateral for government deposits, they must comply with California law.

COLLATERALIZED DEBT OBLIGATIONS OR CDOs – Investment grade securities backed by a pool of bonds, loans, and other assets. CDOs do not specialize in one type of debt but are often non-mortgage loans or bonds. CDOs have a similar structure to collateralized mortgage obligations but are unique in that they represent different types of debt and credit risk. These different types of debt are often referred to as "tranches" or "slices". Each slice has a different maturity and risk associated with it. The higher the risk, the more the CDO pays.

COLLATERALIZED MORTGAGE OBLIGATIONS OR CMOs - Debt obligations issued by a special purpose entity that are collateralized by and payments linked to a pool of mortgages or mortgage-backed securities. The special purpose entity (usually a trust) is set up by the sponsor who owns the loans. A different entity purchases a group of mortgages using the proceeds of an offering of securities collateralized by the mortgage (CMOs). The trustee (the issuer) uses the underlying cash flows or the collateral to fund the debt service on the CMOs. The CMOs are priced based on their own maturity and rate of return rather than that of the underlying mortgages.

COMBINED POOL - The County maintains a combined pool with cash and investments which provide cash flow for the funding needs of the participants. Participants include County departments, agencies, schools, and special districts. The combined pool is managed by the San Luis Obispo County Treasurer. The combined pool portfolio is carried at amortized cost and includes accrued interest. By pooling their funds, participants benefit from lower management and investment costs.

COMMERCIAL PAPER - Short-term unsecured obligations with maturities ranging from 2 to 270 days issued by banks, corporations, and other borrowers to investors with idle cash. Such instruments are usually discounted, although some are interest bearing. It is issued only by top rated companies and is nearly always backed by bank lines of credit. Ratings are assigned by a Nationally Recognized Statistical Rating Organization (NRSRO).

CONFIRMATION - Formal memorandum from a broker/dealer to the County Treasury giving the details of a securities transaction, i.e., purchase or sale. The confirmation is compared to the investment tracking system by authorized staff not directly supervised by investment personnel. Discrepancies shall be referred immediately to a Deputy County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction). (See **DISCREPANCY**)

COUNTERPARTY – The other party that participates in a financial transaction. For example, a buyer of a security must be paired up with a seller that is willing to sell and vice versa.

(Glossary – Continued)

COUPON OR COUPON RATE - The stated rate of interest on a bond. Stated as a percentage of par (face value). For example, a $1 million bond with a 6% coupon rate pays $60,000 interest annually. Treasury bond coupons are usually set to pay every six (6) months, so in this case, there would be two (2) coupons per year, each of which is $30,000 interest payment.

CREDIT RISK – The risk that an issuer or other counterparty to an investment will not fulfill its obligation.

DEALER - A financial institution that participates in the financial markets by taking securities (usually in extremely large volumes) into inventory from which they are later sold. (Also see **BROKER** and **PRIMARY DEALER**)

DEFAULT - The failure to pay debt obligations as agreed in the terms of the debt.

DELIVERY VS. PAYMENT (DVP) - Refers to the practice of using an escrow procedure to process a transaction through a third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met. In other words, payment will not be forwarded to the seller until securities have been delivered and vice versa.

DERIVATIVE - An investment whose characteristics and value are based on the performance of an underlying financial asset, index, or other investment. Derivatives include inverse floaters, range notes, or mortgage derived, interest-only strips and any security that could result in zero interest if held to maturity.

DISCOUNT – When a security is sold for less than its par or face value, it is said to be sold at a discount. The discount is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of $1,000,000 is selling for $998,000, it is selling at a discount of $2,000.

DISCREPANCY – Regarding the purchase of a security, a difference or variance from what is expected or stated. Any of the following discrepancies found in the County Treasury investment confirmation process are referred immediately to a Deputy County Treasurer, other authorized management personnel, or the County Treasurer (provided that they did not execute the transaction). (See **CONFIRMATION**)

A. Description of a security
B. Broker information
C. Purchase or maturity date
D. Full value of a security
E. Purchase price
F. Interest amount
G. Confirmation not received within ten (10) business days

DIVERSIFICATION - The spreading of risk by investing in a variety of securities offering independent returns.

FACE VALUE – The amount the issuer agrees to pay upon maturity. The same as par value or maturity value.

FDIC INSURED PLACEMENT SERVICE DEPOSITS – FDIC Insured Placement Service Deposits are interest-bearing bank deposit, and per CGC §53644, is not an investment. This account is similar to a Certificate of Deposit Account Registry Service (CDARS) account, where a single large deposit is placed through a pass-through bank into individual deposits of less than $250,000 each, with participating banks. As a result, full FDIC insurance is maintained. Unlike a CDARS account, however, the full balance may be withdrawn upon demand without a dollar limit or penalty.

FED WIRE SYSTEM - The national banks system for moving money and securities.

FEDERAL AGRICULTURAL MORTGAGE CORPORATION (Farmer Mac) - A government-sponsored enterprise which is stockholder-owned, publicly traded company that was chartered by the United States Federal Government in 1988 to serve as a secondary market in agricultural loans such as mortgages for agricultural real estate and rural housing.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) - A federal agency created by Congress in 1933 to maintain stability and public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships. The current standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category.

FEDERAL FARM CREDIT SYSTEM (FFCB) - The oldest government-sponsored enterprise created by Congress in 1916, this nationwide system of banks and associations provides mortgage loans, credit and related services to farmers, rural homeowners, and agricultural and rural cooperatives. The banks and associations are cooperatively owned, directly or indirectly, by their respective borrowers. Currently, there are four (4) Farm Credit Banks and one (1) Agricultural Credit Bank which provide funds and support services to approximately 94 locally owned Farm Credit Associations and numerous cooperatives nationwide. Farm Credit Banks Consolidated Systemwide Debt Securities are issued through the Farm Credit Banks Funding Corporation. Both discount notes and bonds are issued.

FEDERAL HOME LOAN BANK (FHLB) - A government-sponsored enterprise which consists of a system of regional banks, created in 1932, which are owned by private member institutions and regulated by the Federal Housing Finance Board (FHFB). Functioning as a credit reserve system, they facilitate extension of credit through owner-members in order to provide access to housing

and to improve the quality of communities. On July 30, 2008, the Housing and Economic Recovery Act of 2008 became law which replaced the FHFB with the Federal Housing Finance Agency (FHFA) as the FHLB's regulator. Both discount notes and bonds are issued.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac) - A government-sponsored enterprise which is stockholder-owned, publicly traded company established by Congress in 1970 to provide a continuous flow of funds to mortgage lenders, through developing and maintaining an active nationwide secondary market in conventional residential mortgages to provide opportunities for homeownership and affordable rental housing across the nation. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed the FHFA as the conservator of Freddie Mac. Both discount notes and bonds are issued.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae) - A government-sponsored enterprise which is stockholder-owned, publicly traded company established as a federal agency in 1938 and chartered by Congress in 1968 to promote a secondary market for conventional, Federal Housing Administration, and Veterans Administration single and multi-family mortgages. On September 6, 2008, the Director of the Federal Housing Finance Agency (FHFA) appointed FHFA as the conservator of Fannie Mae. Both discount notes and bonds are issued.

FEDERAL RESERVE (BANK) SYSTEM - System established by the Federal Reserve Act of 1913 to regulate the U.S. monetary and banking system. It is the central bank of the United States which is composed of a central governmental agency in Washington, D.C. (the Board of Governors) and 12 regional Federal Reserve Banks in major cities throughout the United States.

FINANCIAL INSTITUTION - An institution with which the County Treasurer engages to purchase or sell securities.

FITCH RATINGS (FITCH) - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae) - A wholly owned corporation within the United States Department of Housing and Urban Development and created by the United States Federal Government through a 1968 partition of the Federal National Mortgage Association to provide financial assistance to low to moderate income homebuyers, by promoting mortgage credit. GNMA issues long-term debt backed by mortgages with repayment guaranteed by the U.S. Government.

GOVERNMENT-SPONSORED ENTERPRISES (GSE) - A general term for several privately owned, publicly chartered agencies created to reduce borrowing costs for certain sectors of the economy such as agriculture and home finance. The GSEs that issue debt instruments include Federal

Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit System, and Federal Agricultural Mortgage Corporation.

INFORMAL COMPETITIVE BID - A verbal or written bid submitted to the County Treasury by a broker/dealer for a specific security issue at a specific price or yield.

INTEREST - The amount earned while owning a debt security or interest-bearing active deposit account, generally calculated as a percentage of the principal.

INVERTED OR NEGATIVE YIELD CURVE - A normal yield curve occurs when progressively long-term securities offer higher yields. When long-term securities offer lower yields than short-term securities, the yield curve is said to be inverted or negative. An inverted yield curve may predict economic recession.

INVESTMENT GRADE - A rating that indicates that a corporate or municipal bond has a relatively low risk of default. Investment grade usually includes only the top three rating categories of the nationally recognized statistical rating organizations.

ISSUER - Legal entity that has the power to issue and distribute a security. Issuers include corporations, municipalities, foreign and domestic governments and their agencies, and investment trusts.

LETTER OF CREDIT - An instrument issued by a bank guaranteeing the payment of a customer's obligations up to a stated amount for a stated period of time. These instruments are widely used in the financing of international trade.

LIQUIDITY - For an entity, its cash and marketable security position with respect to its short-term debt obligations. For an individual asset, the ability to sell the asset at a reasonable price on short notice. It is also the ability to meet cash requirements by structuring the portfolio so that maturities meet anticipated cash flow needs as well as unanticipated cash flow needs by including marketable securities in the portfolio.

LOCAL AGENCY – A county, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

LONDON INTERBANK OFFERING RATE (LIBOR) - The rate of interest that the most creditworthy international banks dealing in the London interbank market charge each other for large loans.

MARKET VALUE - The price at which a security is trading and could presumably be purchased or sold.

MARKETABLE SECURITIES - Marketable securities are securities that are easily sold. They are assets that can be readily converted into cash, i.e., Treasuries, Agencies, Bankers' Acceptances, and Commercial Paper.

MATURITY DATE - The date on which the issuer or borrower repays the principal in total. Either paid in a lump sum at the maturity date or the final payment date on amortized debt.

MEDIUM-TERM NOTES (MTNs) – Corporate notes usually with maturities from five (5) to ten (10) years and are offered by a company through a dealer. This type of debt program is used by a company to tailor its debt issuance to meet its financing needs. MTNs can be issued on a fixed or floating rate basis.

MOODY'S INVESTORS SERVICE, INC. (MOODY'S) - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**)

MONEY MARKET MUTUAL FUNDS - An investment fund that holds the objective to earn interest for shareholders while maintaining a net asset value of $1 per share. Mutual funds, brokerage firms, and banks offer these funds. Portfolios are comprised of short-term (less than one year) securities representing high quality, liquid debt, and monetary instruments.

MORTGAGE-BACKED SECURITIES (MBS) – Are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool. Most MBS are issued by the GNMA, FNMA, and FHLMC. GNMA, backed by the full faith and credit of the U.S. government, guarantees that investors receive timely payments. FNMA and FHLMC also provide certain guarantees and, while not backed by the full faith and credit of the U.S. government, have special authority to borrow from the U.S. Treasury. Some private institutions, such as brokerage firms, banks, and homebuilders, also securitize mortgages, known as "private label" mortgage securities.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - Rating agencies whose credit ratings are used under the Security and Exchange Commission's regulations. There are currently ten (10) officially designated NRSROs: A.M. Best Company, Inc., Dominion Bond Rating Service, Ltd., Egan-Jones Ratings Company, Fitch Ratings, HR Ratings de Mexico, S.A. de C.V., Japan Credit Rating Agency, Ltd., Kroll Bond Rating Agency, Inc., Moody's Investor Service, Inc., Morningstar Credit Ratings, LLC, and Standard & Poor's Ratings Services.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD) - A large dollar amount short-term certificate of deposit with a fixed amount of interest. NCDs are issued by large banks and bought mainly by

corporations and institutional investors. They are payable either to the bearer or to the order of the depositor, and being negotiable, they enjoy an active secondary market, but cannot be cashed-in before maturity. Although NCDs can be issued in any denomination from $100,000 up, the typical amount is $1 million and frequently in round lots of $5 million. They trade at a discount to the face value which is repaid on maturity. Maturities vary from 14 days to 12 months. (Also see **CERTIFICATE OF DEPOSIT**)

NON-STATUTORY DEPOSITOR - A depositor who is not mandated or legally required to deposit their funds in the County Treasury.

NORTH ARKANSAS V. BARRETT CASE - In April 1992, the U.S. Court of Appeals for the Eighth Circuit handed down its decision in North Arkansas Medical Center v. Barrett. The court's decision focused on the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, particularly Section 1823(e) of Title 12 of the U.S. Code, specifying that a valid security agreement 1) is in writing, 2) executed by the depository institution and the entity making the claim contemporaneously with the acquisition of the asset, 3) is approved by the board of directors or loan committee of the institution and reflected in the minutes of that group, and 4) has been an official record of the institution continuously from the time of its execution. These requirements must be satisfied if an asset acquired by the receiver of a failed institution is to be subject to the claims of a depositor based on a security interest. The court held that the statutory requirements were not met because the pertinent documents were not executed contemporaneously with the acquisition by the financial institution of the assets and there was no evidence that any security agreement regarding these assets had been approved by the financial institution's directors or loan committee.

PAR VALUE - The same as face value or maturity value.

PUBLIC INVESTMENT MONEY MARKET ACCOUNT (PIMMA) – A PIMMA is a bank deposit which is collateralized per CGC §53651 and §53652. These accounts are bank accounts, not investments. Unlike typical investments, funds may be withdrawn at any time without a dollar limit or penalty, but the number of withdrawals per month is usually limited. PIMMAs offer multiple levels of safety to protect County funds. The first level of protection is the bank's assets and equity. The other protection is the pledged securities that the County Treasurer could demand the custodian to convert to cash in the event of a bank failure where the FDIC is not able to orchestrate a purchase or other solutions to make depositors whole. Each new PIMMA deposit must be approved by the County Treasurer and must have the required documentation pursuant to US Code Title 12, Section 1823 (e), including acknowledgment of the collateralization by a certificate of the secretary of the Board of Directors of the bank.

PORTFOLIO - A group of securities held by an investor.

(Glossary – Continued)

POSITIVE OR NORMAL YIELD CURVE - A yield curve in which short-term interest rates are lower than long-term interest rates. This is the prevailing case most of the time. Changes in the yield curve can be used to interpret market and economic conditions.

PREMIUM – When a security is sold for greater than its par or face value, it is said to be sold at a premium. The premium is simply the difference between the price paid and the par or face value. For example, if an investment with a par value of $1,000,000 is selling for $1,002,000, it is selling at a premium of $2,000. (Also see **DISCOUNT**)

PRIMARY DEALER - Financial institutions so designated by the New York Federal Reserve Bank. Primary dealers must undergo rigorous financial and ethical examination by the New York Federal Reserve Bank to obtain and maintain primary dealership status. They are also expected to provide a market for U.S. Treasury securities and to participate in the Federal Reserve's periodic auction of new issue Treasury securities. The Federal Reserve's purpose in establishing a network of primary dealers is to ensure the efficient and sound marketability of U.S. Treasury securities. Primary dealers include Securities and Exchange Commission registered securities broker/dealers and banks.

PRINCIPAL - The face or par amount of a security not taking into account discounts or premiums. The unpaid amount remaining on amortized debt.

RECEIVABLE-BACKED SECURITIES - Securities collateralized with consumer receivables, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASSTHROUGH CERTIFICATE - A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution.

REGISTERED STATE WARRANT - A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT/TRI-PARTY, OR BI-PARTY - An agreement between a seller and a buyer, usually of government securities, whereby the seller agrees to repurchase the securities at an agreed upon price at a stated time. A TRI-PARTY repurchase agreement is where the purchased securities are held in safekeeping with a custodian other than the seller or the buyer. A BI-PARTY repurchase agreement is one where the purchased securities are in safekeeping with the seller.

RETURN ON AVERAGE ASSETS (ROAA) - ROAA is a measure of profits relative to size that is commonly used in analyzing banks and financial companies. It is calculated by dividing net income by average assets.

(Glossary – Continued)

REVENUE ANTICIPATION NOTES (RAN) - Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Used by agencies having cash flow gaps between revenues and expenses that require short-term interim financing. (Also see Tax Anticipation Notes and Tax and Revenue Anticipation Notes).

REVERSE REPURCHASE AGREEMENT - A sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date.

RISK-ADJUSTED ASSETS - The assets shown in the balance sheet of a bank that have had a risk weighting (percentage weight) applied to them.

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD - Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING – Storage and protection of securities provided as a service by an institution serving as custodian where securities are held and registered in the client's name.

SECURITIES AND EXCHANGE COMMISSION (SEC) - Federal agency created by Congress in 1934 to protect investors in securities transactions by administering securities acts. The statutes administered by the SEC are designed to promote full public disclosure and protect the investing public against malpractice in the securities market.

SECURITIES LENDING AGREEMENT - An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

SETTLEMENT DATE - The date on which a securities transaction will occur and ownership legally changes. (Also see **TRADE DATE**)

SUPRANATIONALS – International development institutions that provide financing, advisory services, and/or other financial services to their member countries to achieve overall goal of improving living standards through sustainable economic growth. The eight supranationals are: International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Inter-American Development Bank (IADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Investment Bank (NIB), African Development Bank (AfDB), and Asian Development Bank (ADB). IBRD, IFC, and IADB (also known as the Washington Supras) were established by international treaties known as Articles of Agreement ("the Articles"). The Articles were incorporated into U.S. federal law by Congressional Act which authorized the United States' membership and participation in the

institutions. The U.S. Secretary of the Treasury sits on the Board of Governors of each of these institutions. The U.S. government is also the largest shareholder of each. Of the eight supranationals, California Government Code only allows investments in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the IBRD, IFC, or IADB, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States.

STANDARD AND POOR'S RATINGS SERVICES - One of the NRSROs utilized by the County Treasurer in determining eligibility for securities purchases. (Also see **NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION)**

STATUTORY DEPOSITOR – A depositor whose funds are mandated by state statute or other legal requirement to be deposited into the County Treasury.

TAX ANTICIPATION NOTES (TAN) - Notes issued for 13 months or less which are used to finance cash flow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes that are collected in December and April. (Also see Revenue Anticipation Notes and Tax and Revenue Anticipation Notes).

TAX AND REVENUE ANTICIPATION NOTES (TRAN) - Notes issued for 13 months or less. They are a combination of Tax Anticipation Notes and Revenue Anticipation Notes. (Also see Revenue Anticipation Notes and Tax Anticipation Notes).

TIER 1 CAPITAL – For a bank**,** this consists of common stock, non-redeemable non-cumulative preferred stock, and disclosed reserves or retained earnings.

TIER 2 CAPITAL – For a bank, this consists of supplementary capital categorized as undisclosed reserves, revaluation reserves, general provisions, hybrid instruments, subordinated debt, and loan loss reserves.

TIER 1 LEVERAGE RATIO - It is calculated by dividing Tier 1 Capital by its average total consolidated assets.

TIER 1 RISK-BASED CAPITAL RATIO - A core measure of a bank's financial strength. It is also seen as a metric of a bank's ability to sustain future losses. It is calculated by dividing the bank's equity by its total risk-adjusted assets.

TOTAL ASSET CLASSIFICATION RATIO – A measure of the volume of classified assets of the bank relative to the "cushion" of capital that may be used to absorb inherent losses in classified assets. Values for this ratio above 40 to 50 percent often represent less than satisfactory asset quality. It is calculated by dividing Total Adversely Classified Assets (substandard assets, doubtful assets, loss assets) by the total of Tier 1 Capital and Allowance for Loans and Leases Losses.

TOTAL RISK-BASED CAPITAL RATIO - A measure of a bank's financial strength, taking into account capital reserves for loans, investments, and certain other items not on the balance sheet. It is calculated by dividing the total of Tier 1 Capital and Tier 2 Capital by risk-adjusted assets.

TRADE DATE - The date that the terms of a securities transaction are agreed upon, including the settlement date. (Also see **SETTLEMENT DATE**)

TREASURER'S DAILY REPORT (TDR) - A report prepared daily by the County Treasury cashier summarizing the day's receipts and disbursements, investment activity, and cash. Month-to-date totals are also reported for receipts and disbursements. The TDR is submitted daily to the County Auditor-Controller.

TREASURY BILL (T-BILL) - Short-term debt obligations of the United States Government, sold at a discount from their face value. They are issued through a competitive bidding process at auctions. The discount rate is determined at auction. The U.S. Treasury issues these bills for terms of 4, 13, 26, and 52 weeks.

TREASURY BONDS - Long-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury bonds earn a fixed rate of interest every six (6) months until maturity and are issued in a term of 30 years.

TREASURY INVESTMENT MANAGEMENT SYSTEM - A database portfolio management system being used by the San Luis Obispo County Treasury that tracks investments and interest-bearing bank accounts in the Combined Pool.

TREASURY NOTES (T-NOTES) - Intermediate-term debt obligations of the United States Government. They are issued through a competitive bidding process at auctions. Treasury Notes earn a fixed rate of interest every six (6) months until maturity and are issued in terms of 2, 3, 5, 7, and 10 years.

Appendix C – Request for Withdrawal from Treasury Pool

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

Michael Stevens, Deputy
Justin Cooley, Deputy

REQUEST FOR WITHDRAWAL FROM TREASURY POOL

Request Date:	Requested Withdrawal Date:

Agency/District:	Amount:

Fund Number:	Fund Name:

Contact Name:	Contact Phone Number:

Comments:

Submit this request to the County Treasurer:

- If the amount is **under** $5 million, submit request 10 calendar days prior to withdrawal date.
- If the amount is **over** $5 million, submit request 20 calendar days prior to withdrawal date.

Request must be accompanied by a copy of a resolution from the Trustees, the language of which is approved by the County Treasurer, directing the investment, or authorizing an individual to act on behalf of the Trustees.

The San Luis Obispo County Treasurer expresses no opinion on the suitability of any investments contemplated in connection with withdrawals for investment purposes.

Agency/District Authorized Signature:_____

Treasurer's Use Only	
Date Received:	Request Approved☐ Request Denied☐
Time Received:	Date Processed:
Received by:	Authorized Signature:
Comments:	

SAMPLE

Appendix D – Resolution Authorizing Withdrawal of Funds

_____(NAME OF AGENCY)
RESOLUTION NO. _____
RESOLUTION AUTHORIZING WITHDRAWAL OF FUNDS
BY THE _____(NAME OF AGENCY)
FROM THE COUNTY OF SAN LUIS OBISPO TREASURY COMBINED POOL
FOR INVESTMENT PURPOSES

The following resolution is hereby offered and read:

WHEREAS the _____(Name of Agency) has maintained its funds in the County of San Luis Obispo Treasury Combined Pool (Combined Pool); and

WHEREAS, pursuant to California Government Code (CGC) §27136, any local agency, public agency, public entity, or public official that has funds on deposit in the Combined Pool, and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the Combined Pool, shall first submit the request for withdrawal to the County Treasurer before withdrawing funds from the Combined Pool; and

WHEREAS, the County Treasurer shall evaluate each proposed withdrawal for its consistency with the criteria adopted pursuant to subdivision (h) of CGC §27133, which includes an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Combined Pool; and

WHEREAS, the _____(Agency's Board of Directors or Board of Trustees) certifies that it wishes to withdraw the _____ (Name of Agency) funds for investment purposes; and

WHEREAS, upon the withdrawal of funds from the Combined Pool for the purpose of investing or depositing outside of the Combined Pool, each member of the Board of Directors or Board of Trustees, or the authorized persons making investment decisions on behalf of the_____(Name of Agency), are trustees and therefore fiduciaries, and are personally liable and responsible for adhering to the prudent investor standard per CGC §53600.3:
"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency;" and

WHEREAS, pursuant to CGC §53646 (a)(2), the treasurer or chief fiscal officer of the _____(Name of the Agency) shall annually render to the _____(Agency's Board of Directors or Board of Trustees) and any oversight committee, a statement of investment policy, which the _____ (Agency's Board of Directors or Board of Trustees) shall review and approve at a public meeting. Any change in the investment policy shall also be considered by the (Agency's Board of Directors or Board of Trustees) at a public meeting pursuant to this section.

NOW, THEREFORE, BE IT RESOLVED, that the _____ (Agency's Board of Directors or Board of Trustees) approves the withdrawal of funds from the Combined Pool for investment purposes.

BE IT FURTHER RESOLVED THAT, _____(Designated Agency Officer) is authorized to order the withdrawal of funds from the Combined Pool.

Upon motion of _____, seconded by _____, and on the following roll call vote to wit:
AYES:
NOES:
ABSENT:
ABSTAINING:
the foregoing resolution is hereby adopted this _____day of _____20__.

_____
(President/Chairperson)

ATTEST:
_____
(Secretary/Clerk)
APPROVED AS TO FORM AND LEGAL EFFECT:
By: _____
(Counsel)
Date: _____

SAMPLE

Appendix E - Contact Information for Reporting Violations

Violations of this Policy should first be reported to the Department Head unless he or she is involved.

Procedural violations should be reported to:

County Administrative Officer
1055 Monterey St, Suite D-430
San Luis Obispo, CA 93408
(805) 781-5011.

Criminal violations should be reported to:

San Luis Obispo County District Attorney
1035 Palm St.
San Luis Obispo, CA 93408
(805) 781-5800.

San Luis Obispo Police Department
1042 Walnut St.
San Luis Obispo, CA 93401
(805) 781-7317

COUNTY of SAN LUIS OBISPO

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

Michael Stevens, Deputy
Justin Cooley, Deputy

QUARTERLY REPORT OF INVESTMENTS
QUARTER ENDING SEPTEMBER 30, 2026

DESCRIPTION

This is a summary of the Treasurer's investment operations for the quarter ending September 30, 2026, and a statement of compliance to the currently adopted County Treasurer's Investment Policy.

SUMMARY

As of September 30, 2026, the Combined Pool of Investments totals were:

Cash on Hand/Banks	$	24,372,446.91
Investments:		
Principal Cost	$	1,678,915,329.29
Market Value	$	1,671,474,423.90
Weighted Average Days to Maturity		456

The details of each investment held by the Treasury as of September 30, 2026, can be found on the Treasury Pool Detail Report attached to this summary. The market value information for this report came from U.S. Bank, Broker/Dealer provided estimates, or was derived through market value calculations.

FOR FINANCIAL STATEMENT REPORTING PURPOSES ONLY					
Amortized Cost	$	1,690,612,899.60	Market Value	$	1,671,474,423.90
Cash on Hand/Banks	$	24,372,446.91	Cash on Hand/Banks	$	24,372,446.91
Accrued Interest	$	12,818,753.41	Accrued Interest	$	12,818,753.41
Total in Treasury	$	1,727,804,099.92	Total Market Value	$	1,708,665,624.22

Participating Dollar Factor: 0.988923237478
(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 September 30, 2026, (available from the County Auditor-Controller's Office) multiplied by the participating dollar factor.
This equates to approximately a $1,107.68 decrease per $100,000.

SEPARATELY MANAGED FUNDS

As of September 30, 2026, the moneys being managed by contracted parties were:

Principal Cost	$	29,584,539.04
Market Value	$	29,656,304.31

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 September 30, 2026, 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 October 16, 2026

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

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 09/30/2026 PORTFOLIO
AS OF: 10/01/2026 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instru-ment	Invest. No.	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val (incls Acc. Int)
10/01/2026	CT	CT - LIQ	42	110,000,000.00	110,000,000.00	0.00	110,000,000.00	110,000,000.00	110,000,000.00	110,000,000.00
CALTRUST				110,000,000.00	110,000,000.00	0.00	110,000,000.00	110,000,000.00	110,000,000.00	110,000,000.00
10/19/2026	UB	FFCB	23-0007	6,460,155.00	6,460,155.00	124,312.50	6,623,821.59	6,500,000.00	6,500,000.00	6,624,312.50
10/20/2026	USB	FFCB	24-0002	9,969,800.00	9,979,279.17	218,020.83	10,217,493.92	10,000,000.00	10,003,200.00	10,221,220.83
12/07/2026	WF	FFCB	24-0008	24,923,600.00	24,923,600.00	346,354.17	25,341,683.73	25,000,000.00	25,003,750.00	25,350,104.17
01/07/2027	ZB	FFCB	25-0001	9,860,000.00	9,901,805.56	81,666.67	10,064,031.70	10,000,000.00	9,977,900.00	10,059,566.67
03/08/2027	ZB	FFCB	24-0026	14,923,650.00	14,943,702.08	41,927.08	15,030,798.59	15,000,000.00	15,005,100.00	15,047,027.08
04/07/2027	ZB	FFCB	25-0034	19,539,000.00	19,545,296.88	365,218.75	19,875,304.03	19,500,000.00	19,450,860.00	19,816,078.75
05/20/2027	USB	FFCB	24-0021	24,947,000.00	24,947,000.00	363,888.89	25,354,070.89	25,000,000.00	24,926,250.00	25,290,138.89
09/28/2027	ZB	FFCB	25-0023	15,199,950.00	15,489,012.50	5,781.25	15,082,619.78	15,000,000.00	14,998,050.00	15,003,831.25
10/04/2027	ZB	FFCB	24-0009	10,456,293.00	10,461,483.00	229,657.50	10,629,769.12	10,380,000.00	10,366,402.20	10,596,059.70
11/12/2027	USB	FFCB	25-0010	20,018,000.00	20,079,875.00	318,541.67	20,325,407.65	20,000,000.00	19,864,600.00	20,183,141.67
11/15/2027	USB	FFCB	24-0011	7,492,426.00	7,514,291.97	129,294.44	7,555,646.77	7,400,000.00	7,385,792.00	7,515,086.44
12/10/2027	USB	FFCB	25-0032	7,705,775.00	7,730,639.58	120,593.24	7,823,172.44	7,700,000.00	7,619,766.00	7,740,359.24
01/03/2028	ZB	FFCB	26-0005	9,983,800.00	10,014,911.11	85,555.56	10,076,131.22	10,000,000.00	9,861,800.00	9,947,355.56
02/24/2028	USB	FFCB	25-0029	8,050,720.00	8,073,386.67	34,944.44	8,059,099.07	8,000,000.00	7,946,160.00	7,981,104.44
03/07/2028	ZB	FFCB	25-0028	12,653,010.00	12,668,047.15	32,808.33	12,710,157.87	12,700,000.00	12,540,107.00	12,572,915.33
08/28/2028	WF	FFCB	25-0007	25,370,500.00	25,686,125.00	103,125.00	25,293,285.89	25,000,000.00	24,838,000.00	24,941,125.00
09/22/2028	USB	FFCB	25-0008	17,765,475.00	17,933,912.50	19,687.50	17,658,279.65	17,500,000.00	17,371,375.00	17,391,062.50
10/24/2028	USB	FFCB	26-0012	29,797,800.00	29,924,362.50	441,562.50	30,296,363.64	30,000,000.00	29,110,800.00	29,552,362.50
12/07/2028	USB	FFCB	25-0025	15,020,250.00	15,026,916.67	190,000.00	15,201,821.15	15,000,000.00	14,695,650.00	14,885,650.00
03/07/2029	ZB	FFCB	25-0026	15,018,300.00	15,024,966.67	40,000.00	15,051,153.33	15,000,000.00	14,679,750.00	14,719,750.00
04/09/2029	WF	FFCB	26-0020	24,901,750.00	24,901,750.00	447,916.67	25,365,354.40	25,000,000.00	24,292,500.00	24,740,416.67
08/01/2029	WF	FFCB	26-0004	8,340,384.00	8,428,704.83	56,375.00	8,362,820.01	8,200,000.00	8,016,320.00	8,072,695.00
12/03/2029	USB	FFCB	26-0010	14,950,050.00	14,950,050.00	172,083.33	15,132,458.38	15,000,000.00	14,350,800.00	14,522,883.33
FEDERAL FARM CREDIT BANKS				353,347,688.00	354,609,273.84	3,969,315.32	357,130,744.82	352,880,000.00	348,804,932.20	352,774,247.52
11/17/2026	WF	FHLB	24-0010	15,095,910.00	15,136,378.75	258,229.17	15,262,422.47	15,000,000.00	15,002,400.00	15,260,629.17
12/11/2026	USB	FHLB	24-0004	20,096,400.00	20,164,108.33	297,916.67	20,304,088.38	20,000,000.00	20,022,600.00	20,320,516.67
01/15/2027	WF	FHLB	24-0022	11,981,988.00	11,990,238.00	104,500.00	12,102,723.93	12,000,000.00	11,986,560.00	12,091,060.00
03/10/2027	USB	FHLB	25-0031	15,166,646.40	15,198,608.62	35,326.67	15,181,365.50	15,140,000.00	15,119,712.40	15,155,039.07
03/12/2027	ZB	FHLB	24-0023	6,263,110.50	6,382,546.13	14,831.88	6,262,449.09	6,245,000.00	6,248,871.90	6,263,703.78
04/09/2027	ZB	FHLB	25-0030	15,346,530.00	15,692,971.25	342,459.17	15,498,682.95	15,090,000.00	15,119,425.50	15,461,884.67
06/04/2027	ZB	FHLB	26-0008	5,030,000.00	5,121,493.06	62,968.75	5,076,435.90	5,000,000.00	4,979,800.00	5,042,768.75
09/10/2027	USB	FHLB	24-0024	9,541,386.00	9,645,688.08	14,131.25	10,040,253.08	10,200,000.00	9,993,858.00	10,007,989.25
12/10/2027	FHN	FHLB	25-0002	25,011,375.00	25,486,548.61	327,604.17	25,332,045.91	25,000,000.00	24,852,250.00	25,179,854.17
03/03/2028	USB	FHLB	26-0024	14,916,600.00	14,973,475.00	40,833.33	14,978,010.98	15,000,000.00	14,730,150.00	14,770,983.33
03/10/2028	USB	FHLB	24-0029	24,614,440.20	24,703,778.33	64,693.12	24,698,460.10	24,645,000.00	24,534,836.85	24,599,529.97
06/09/2028	ZB	FHLB	26-0009	4,971,600.00	5,050,141.67	50,555.56	5,031,488.31	5,000,000.00	4,869,050.00	4,919,605.56
06/09/2028	ZB	FHLB	25-0017	4,858,550.00	4,862,612.50	50,555.56	4,981,781.21	5,000,000.00	4,869,050.00	4,919,605.56
11/16/2028	USB	FHLB	25-0035	14,699,250.00	14,894,250.00	182,812.50	15,005,242.03	15,000,000.00	14,501,700.00	14,684,512.50
11/16/2028	ZB	FHLB	25-0036	1,959,500.00	1,985,500.00	24,375.00	2,000,462.78	2,000,000.00	1,933,560.00	1,957,935.00
11/27/2028	WF	FHLB	25-0005	15,135,885.00	15,160,968.33	222,166.67	15,296,064.11	15,000,000.00	14,814,000.00	15,036,166.67
12/08/2028	ZB	FHLB	25-0018	10,395,731.45	10,409,196.38	152,153.72	10,462,180.91	10,205,000.00	10,164,384.10	10,316,537.82
12/08/2028	WF	FHLB	26-0007	10,565,777.74	10,754,676.63	130,954.44	10,658,426.51	10,430,000.00	10,232,560.10	10,363,514.54
03/09/2029	WF	FHLB	26-0017	11,045,518.00	11,050,254.11	26,048.61	11,063,146.61	11,000,000.00	10,729,620.00	10,755,668.61
03/09/2029	USB	FHLB	26-0023	13,886,450.85	13,932,682.29	32,809.41	13,914,116.99	13,855,000.00	13,514,444.10	13,547,253.51
03/29/2029	USB	FHLB	26-0002	7,575,372.80	7,586,428.36	884.44	7,681,323.14	7,960,000.00	7,429,147.60	7,430,032.04
06/08/2029	USB	FHLB	26-0001	2,897,471.50	2,928,378.44	25,680.03	2,943,192.92	2,975,000.00	2,808,995.00	2,834,675.03
09/14/2029	USB	FHLB	26-0003	16,132,445.00	16,212,204.17	30,816.04	16,088,732.87	15,820,000.00	15,417,381.00	15,448,197.04
FEDERAL HOME LOAN BANKS				277,187,938.44	279,323,127.04	2,493,306.16	279,863,096.68	277,565,000.00	273,874,356.55	276,367,662.71
10/01/2026	ST	LAIF	1	75,000,000.00	75,000,000.00	749,852.67	75,749,852.67	75,000,000.00	74,586,330.75	75,336,183.42
LOCAL AGENCY INVESTMENT FUND				75,000,000.00	75,000,000.00	749,852.67	75,749,852.67	75,000,000.00	74,586,330.75	75,336,183.42
10/01/2026	FSB	PLCMT DEP - ICS	37	75,000,000.00	75,000,000.00	0.00	75,000,000.00	75,000,000.00	75,000,000.00	75,000,000.00
PLACEMENT SERVICE DEPOSITS				75,000,000.00	75,000,000.00	0.00	75,000,000.00	75,000,000.00	75,000,000.00	75,000,000.00

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 09/30/2026 PORTFOLIO
AS OF: 10/01/2026 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instru-ment	Invest. No.	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val (incls Acc. Int)
10/01/2026	FSB	PIMMA	36	50,000,000.00	50,000,000.00	0.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
10/01/2026	CB	PIMMA	44	40,000,000.00	40,000,000.00	0.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00
PIMMA				90,000,000.00	90,000,000.00	0.00	90,000,000.00	90,000,000.00	90,000,000.00	90,000,000.00
01/15/2027	WF	SUPRA - IFC	24-0007	9,982,010.00	9,982,010.00	92,382.22	10,090,703.58	10,000,000.00	10,018,000.00	10,110,382.22
02/01/2027	USB	SUPRA - IADB	24-0018	16,943,730.00	16,943,730.00	123,958.33	17,117,924.15	17,000,000.00	16,997,280.00	17,121,238.33
03/10/2027	WF	SUPRA - IADB	23-0037	15,369,600.00	15,429,600.00	39,375.00	15,080,786.80	15,000,000.00	14,959,350.00	14,998,725.00
06/15/2027	USB	SUPRA - IBRD	25-0004	14,629,950.00	14,850,002.08	138,020.83	15,034,984.14	15,000,000.00	14,852,400.00	14,990,420.83
11/24/2027	USB	SUPRA - IBRD	24-0017	8,692,300.00	8,696,050.00	26,458.33	9,646,745.01	10,000,000.00	9,550,800.00	9,577,258.33
01/12/2028	USB	SUPRA - IADB	24-0032	19,620,600.00	19,818,377.78	175,555.56	20,046,044.83	20,000,000.00	19,784,200.00	19,959,755.56
04/20/2028	USB	SUPRA - IBRD	25-0020	13,639,950.00	13,676,043.75	92,239.58	14,457,026.76	15,000,000.00	14,224,050.00	14,316,289.58
05/05/2028	WF	SUPRA - IBRD	26-0021	28,189,004.70	28,630,544.80	415,902.29	28,628,151.94	28,290,000.00	27,754,470.30	28,170,372.59
07/12/2028	WF	SUPRA - IBRD	25-0022	19,461,260.00	19,537,093.33	153,611.11	19,870,522.19	20,000,000.00	19,529,200.00	19,682,811.11
07/12/2028	USB	SUPRA - IBRD	25-0003	11,663,880.00	11,819,046.67	92,166.67	11,927,277.60	12,000,000.00	11,717,520.00	11,809,686.67
07/20/2028	USB	SUPRA - IADB	25-0016	4,495,950.00	4,518,293.75	11,093.75	4,758,877.09	5,000,000.00	4,678,650.00	4,689,743.75
08/01/2028	USB	SUPRA - IBRD	25-0019	20,189,600.00	20,554,461.11	154,166.67	20,250,622.25	20,000,000.00	19,903,600.00	20,057,766.67
09/18/2028	USB	SUPRA - IADB	25-0009	10,380,845.00	10,457,364.10	12,131.08	10,569,784.71	10,750,000.00	10,395,142.50	10,407,273.58
01/29/2029	WF	SUPRA - IADB	25-0037	10,001,230.00	10,087,167.50	71,041.67	10,071,796.87	10,000,000.00	9,719,400.00	9,790,441.67
02/15/2029	WF	SUPRA - IADB	25-0033	25,184,775.00	25,342,327.08	131,770.83	25,245,761.37	25,000,000.00	24,518,000.00	24,649,770.83
06/18/2029	USB	SUPRA - IADB	26-0006	9,549,200.00	9,644,825.00	64,375.00	9,722,043.37	10,000,000.00	9,305,400.00	9,369,775.00
07/02/2029	USB	SUPRA - IFC	26-0011	25,304,004.70	25,764,221.85	260,887.43	25,457,047.86	24,830,000.00	24,346,311.60	24,607,199.03
09/21/2029	WF	SUPRA - IBRD	26-0019	24,775,500.00	24,818,295.14	25,173.61	24,831,982.65	25,000,000.00	24,043,750.00	24,068,923.61
02/14/2030	USB	SUPRA - IBRD	26-0018	15,043,950.00	15,095,616.67	75,885.42	15,113,723.58	15,000,000.00	14,464,200.00	14,540,085.42
SUPRANATIONALS				303,117,339.40	305,665,070.61	2,156,195.38	307,921,806.75	307,870,000.00	300,761,724.40	302,917,919.78
10/15/2026	USB	T-NOTE	24-0020	15,222,656.25	15,338,281.25	320,338.12	15,323,349.88	15,000,000.00	15,001,800.00	15,322,138.12
11/15/2026	ZB	T-NOTE	23-0021	18,606,250.00	18,637,189.23	151,086.96	20,107,319.49	20,000,000.00	19,943,400.00	20,094,486.96
02/15/2027	UB	T-NOTE	23-0035	19,018,750.00	19,087,120.17	57,472.83	19,961,860.29	20,000,000.00	19,853,000.00	19,910,472.83
04/30/2027	USB	T-NOTE	24-0027	18,987,500.00	19,199,038.46	230,163.04	20,042,267.26	20,000,000.00	19,814,800.00	20,044,963.04
05/15/2027	USB	T-NOTE	24-0015	23,423,828.13	23,466,238.84	224,269.70	24,939,525.63	25,000,000.00	24,687,250.00	24,911,519.70
06/15/2027	USB	T-NOTE	25-0021	15,128,850.00	15,144,097.25	204,713.12	15,241,344.15	15,000,000.00	15,019,200.00	15,223,913.12
07/31/2027	WF	T-NOTE	24-0033	18,790,625.00	18,899,416.21	92,663.04	19,788,562.90	20,000,000.00	19,709,000.00	19,801,663.04
08/15/2027	USB	T-NOTE	24-0028	23,234,375.00	23,317,822.80	71,841.03	24,612,749.66	25,000,000.00	24,512,000.00	24,583,841.03
10/15/2027	USB	T-NOTE	25-0038	5,991,540.00	6,107,151.26	107,356.55	6,103,848.51	6,000,000.00	5,955,480.00	6,062,836.55
02/29/2028	USB	T-NOTE	24-0035	19,476,562.50	19,580,910.33	68,508.29	19,877,359.16	20,000,000.00	19,793,000.00	19,861,508.29
04/30/2028	USB	T-NOTE	25-0006	14,743,359.38	14,799,920.15	219,701.09	15,100,087.49	15,000,000.00	14,704,050.00	14,923,751.09
05/15/2028	ZB	T-NOTE	25-0011	14,409,375.00	14,440,348.76	162,890.62	14,883,394.22	15,000,000.00	14,548,200.00	14,711,090.62
07/31/2028	USB	T-NOTE	25-0014	14,993,554.69	15,220,541.78	104,245.92	15,100,994.11	15,000,000.00	14,812,500.00	14,916,745.92
10/31/2028	ZB	T-NOTE	25-0012	13,532,812.50	13,556,172.31	86,311.14	14,300,022.64	15,000,000.00	13,966,350.00	14,052,661.14
11/15/2028	USB	T-NOTE	25-0015	14,453,320.31	14,489,577.22	177,055.03	14,881,016.34	15,000,000.00	14,471,550.00	14,648,605.03
01/31/2029	ZB	T-NOTE	25-0024	15,019,921.88	15,084,562.76	101,086.96	15,113,037.28	15,000,000.00	14,694,750.00	14,795,836.96
02/15/2029	ZB	T-NOTE	25-0027	14,245,312.50	14,279,031.42	50,288.72	14,592,198.68	15,000,000.00	14,231,850.00	14,282,138.72
04/30/2029	USB	T-NOTE	26-0015	14,667,150.00	14,717,184.53	180,468.75	14,926,586.40	15,000,000.00	14,251,200.00	14,431,668.75
05/15/2029	WF	T-NOTE	26-0013	23,972,656.25	24,013,661.08	224,269.70	24,438,991.77	25,000,000.00	23,432,750.00	23,657,019.70
07/31/2029	ZB	T-NOTE	26-0022	24,075,195.31	24,200,281.64	110,563.86	24,318,967.80	25,000,000.00	23,464,750.00	23,575,313.86
10/31/2029	USB	T-NOTE	26-0016	15,203,850.00	15,273,463.26	251,086.96	15,412,845.31	15,000,000.00	14,577,600.00	14,828,686.96
11/15/2029	WF	T-NOTE	26-0014	23,261,718.75	23,291,932.84	165,251.36	23,784,068.28	25,000,000.00	22,690,500.00	22,855,751.36
01/31/2030	USB	T-NOTE	26-0025	14,803,200.00	14,909,070.17	88,451.09	14,915,754.84	15,000,000.00	14,312,100.00	14,400,551.09
TREASURY NOTE				395,262,363.45	397,053,013.72	3,450,083.88	407,766,152.09	411,000,000.00	398,447,080.00	401,897,163.88
TOTALS				1,678,915,329.29	1,686,650,485.21	12,818,753.41	1,703,431,653.01	1,699,315,000.00	1,671,474,423.90	1,684,293,177.31
QUARTERLY SUMMARY TOTALS				1,678,915,329.29					1,671,474,423.90	

JAMES W. HAMILTON, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 09/30/2026 PORTFOLIO
AS OF: 10/01/2026 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned
TREASURY POOL DETAIL REPORT DEFINITIONS/CODES

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

Code	Instrument - Type of investment purchased from a broker.
CT-LIQ	CalTrust Liquidity Fund
FFCB	Federal Farm Credit Bank
FHLB	Federal Home Loan Bank
LAIF	Local Agency Investment Fund
CPP-NOTE	County Pension Prefund Note
PIMMA	Public Investment Money Market Account (interest bearing deposit account secured by collateral per CGC section 53651 et. Seq)
T-NOTE	Treasury Note
SUPRA	Supranational
PLCMT DEP-ICS	Placement Service Deposits - Insured Cash Sweep (FDIC insured)

Principal Cost - The amount invested in an instrument excluding any purchased accrued interest.
Purchase Price - The amount paid for an instrument which includes the principal cost and any purchased accrued interest.
Carrying Value - The principal cost of an instrument amortized through quarter end including any accrued interest.
Par - The full value of an instrument.
Market Value - Current market value price of an investment priced as of the last day of the quarter.
Market Value (incl. acc. int.) - Current market value price of an investment plus any accrued interest.

JAMES W. HAMILTON, CPA

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

SEPARATELY MANAGED FUNDS DETAIL REPORT

AS OF: 09/30/26

		Principal Cost	Market Value
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Service Account	0.00	0.00
	Principal Account	0.00	0.00
	Interest Account	3.00	3.00
	Series A, B, C Bond Fund	27,891.00	27,891.00
Money held in conjunction with:	SLO 03 Series A,B,C		
	Pension Trust Obligation Bond		
		27,894.00	27,894.00
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	1,555.42	1,555.42
	Interest Account	223.01	223.01
	Principal Account	690.34	690.34
	Reserve Fund	0.00	0.00
	Debt Service Fund	872.11	872.11
Money held in conjunction with:	SLO County Revenue Bonds		
	2011 Series A-Lopez Dam Imp Refunding		
		3,340.88	3,340.88
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	253,445.16	253,445.16
	Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO County COP 07 Series A		
	(Paso Robles Courthouse Project)		
		253,445.16	253,445.16
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	07 Series A & B Revenue Fund	26,501.64	26,501.64
	07 Series A & B Interest Account	1,422,164.38	1,422,164.38
	07 Series A & B Principal Account	0.00	0.00
	07 Series A & B Redemption Fund	0.00	0.00
	07 Series A Reserve Fund	9,177,691.52	9,249,456.79
	07 Series A Project Fund	0.01	0.01
	07 Series A Rebate Fund	177,359.51	177,359.51
	07 Series B Reserve Fund	0.00	0.00
Money held in conjunction with:	SLO County Rev Bond Ser A & B		
	(Nacimiento Water Project)		
		10,803,717.06	10,875,482.33
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	403.15	403.15
	Interest Account	40,576.51	40,576.51
	Principal Account	2,122.51	2,122.51
	Construction Fund	159.95	159.95
Money held in conjunction with:	SLO County Financing Authority		
	Lease Revenue Bonds 2020 Ser A		
		43,262.12	43,262.12

JAMES W. HAMILTON, CPA

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

SEPARATELY MANAGED FUNDS DETAIL REPORT

AS OF: 09/30/26

		Principal Cost	Market Value
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	91.35	91.35
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Refunding Bonds 2020 Ser B		
		91.35	91.35
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	2,465.09	2,465.09
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	18,450,323.38	18,450,323.38
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Bonds 2022 Ser A		
		18,452,788.47	18,452,788.47
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Base Rental Fund	0.00	0.00
	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Construction Fund	0.00	0.00
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Bonds 2022 Ser B		
	(Cayucos Veterans Hall Project)		
	TOTAL:	0.00	0.00
	GRAND TOTAL:	29,584,539.04	29,656,304.31

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