

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 19, 2024

NEW ISSUE—BOOK-ENTRY ONLY
BANK QUALIFIED

RATING
S&P: _____
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. It is also the opinion of Bond Counsel that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Code. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

\$ _____ *

LUCERNE ELEMENTARY SCHOOL DISTRICT
(Lake County, California)
General Obligation Bonds
Election of 2016, Series B (2024)

Dated: Date of Delivery

Due: August 1, as shown below

The \$ _____ * Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series B (2024) (the "Bonds") are being issued by the Lucerne Elementary School District (the "District") pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code and a resolution of the Governing Board of the District. The Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 8, 2016, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of \$4,000,000 (the "Authorization"), and (b) pay for costs of issuance of the Bonds. The Bonds constitute the second issue of bonds under the Authorization. The Bonds will be issued as capital appreciation bonds.

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by Lake County (the "County"). The Boards of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Property Taxation System."

The Bonds will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 Maturity Value. The Maturity Value of each Bond is equal to its accreted value ("Accreted Value"), being comprised of its original principal amount ("Original Principal Amount") and the compounded interest between the date of delivery and its respective maturity date. The Bonds will be dated the date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2024. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. The Accreted Value of the Bonds will be paid by U.S. Bank Trust Company, National Association, the paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The District has applied for a policy of municipal bond insurance with respect to the Bonds. Certain terms of such insurance, if purchased, will be disclosed in the final Official Statement.

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

MATURITY SCHEDULE

CUSIP[†] Prefix: _____

Maturity (August 1)	Original Principal Amount	Accretion Rate	Approximate Yield	Maturity Value	CUSIP [†] Suffix
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This cover page contains information for quick reference only. It is **not** a summary of this issue. Potential purchasers 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 received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel, and for the Underwriter by _____. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about April 11, 2024.

[UNDERWRITER]

March __, 2024

*Preliminary, subject to change.

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

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 or note owner and the District or the Underwriter indicated in this Official Statement.

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

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 in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the 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 such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, 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.

Estimates and Projections. 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, 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.

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. Unless specifically indicated otherwise, the information presented on such website is not incorporated by reference as part of this Official Statement.

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LUCERNE ELEMENTARY SCHOOL DISTRICT

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Lucerne, California 95458
(707) 274-5578
www.lucerne.k12.ca.us*

GOVERNING BOARD

Cheyenne Higgins, *President*
Nicole Zwinge, *Clerk*
Stacia Fetzer, *Board Member*

DISTRICT ADMINISTRATION

Megan Grant, *Superintendent*
Lacy Music, *Business Manager*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL

Quint & Thimmig LLP
Larkspur, California

MUNICIPAL ADVISOR
CFW Advisory Services, LLC
Alameda, California

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

*Information therein is not incorporated by reference into this Official Statement.

\$ _____ *

LUCERNE ELEMENTARY SCHOOL DISTRICT
(Lake County, California)
General Obligation Bonds, Election of 2016, Series B (2024)

INTRODUCTION

This Official Statement, which includes the cover page, the cover page and the appendices hereto, provides information in connection with the sale of the \$ _____ * Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series B (2024) (the “Bonds”).

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

The District

The Lucerne Elementary School District (the “District”) was established to provide K-8 education to pupils in and around the census designated place of Lucerne in Lake County, California (the “County”). The District, established in 1923, covers approximately 30 square miles and has a current K-8 enrollment of approximately 300 students. The District operates one school, the Lucerne Elementary School.

The District is governed by a three-member Governing Board (the “District Board”), whose members are elected at large to four-year terms. The members of the District Board elect a president each year. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel.

For more complete information concerning the District, including certain financial information, see “THE DISTRICT” and APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION. The District’s audited financial statements for the fiscal year ended June 30, 2023, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023.

Source of Payment for the Bonds

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County within the District. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds 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). See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

* Preliminary, subject to change.

Municipal Bond Insurance

The District has applied for a policy of municipal bond insurance with respect to the Bonds. Certain terms of such insurance, if purchased, will be disclosed in the final Official Statement.

Authority for Issue; Purpose of Issue

On November 8, 2016 there was submitted to and approved by the requisite fifty-five percent (55%) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District to replace outdated portables with modern permanent classrooms, modernize existing classrooms, enhance student safety and security, reconfigure student drop-off areas, upgrade playgrounds and fields, and provide the local match for State grants (the “Project”), in the maximum aggregate principal amount of \$4,000,000 payable from the levy of an *ad valorem* tax against the taxable property in the District (the “Authorization”).

Title 1, Division 1, Part 10, Chapter 2 (commencing with section 15100) of the California Education Code and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (collectively, the “Law”), the District is empowered to issue general obligation bonds.

On December 18, 2019, the District issued its \$2,920,000 Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series A, for the purpose of raising moneys for the Project and other authorized costs; and

The Bonds are being issued by the District pursuant to the Law and a resolution adopted by the District Board on March 13, 2024 (the “Resolution”), to (a) finance the Project, and (b) pay for costs of issuance of the Bonds. The Bonds constitute the second issue of bonds under the Authorization.

Description of the Bonds

The Bonds are being issued as capital appreciation bonds.

The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 Maturity Value (where the “Maturity Value” means the accreted value of a Bond on the date such Bond matures) and any integral multiple thereof. The Maturity Value of each Bond is equal to its accreted value (“Accreted Value”), being comprised of its initial principal amount (“Initial Principal Amount”) and the compounded interest between its date of delivery and its maturity date. See APPENDIX H—ACCRETED VALUE TABLES.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the cover pages hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “BOOK-ENTRY ONLY SYSTEM” and APPENDIX G—BOOK-ENTRY SYSTEM. In the event that the book-entry system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution as described herein. See “THE BONDS—Registration,

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

Certain of the Bonds are subject to redemption prior to maturity. See “THE BONDS—Redemption.”

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to the District’s compliance with certain covenants, under present law, interest on the Bonds is excludible from gross income of the owners thereof for federal income tax purposes and is not includible as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. It is also the opinion of Bond Counsel that the Bonds are “qualified tax-exempt obligations” under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS.”

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about April 11, 2024.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption “CONTINUING DISCLOSURE.” Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the District with respect to the sale and delivery of the Bonds. Quint & Thimmig LLP, Larkspur, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in APPENDIX E—FORM OF OPINION OF BOND COUNSEL. Quint & Thimmig LLP, Larkspur, California, is also serving as Disclosure Counsel to the District with respect to the Bonds. CFW Advisory Services, LLC, Alameda, California, will act as Municipal Advisor to the District with respect to the Bonds. The payment of fees and expenses of such firms with respect to the Bonds is contingent on the sale and delivery of the Bonds. The District’s financial statements for the Fiscal Year ended June 30, 2023, have been audited by Christy White, San Diego, California. See APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Lucerne Elementary School District, 3351 Country Club Drive, Lucerne, CA 95458, telephone (707) 274-5578. The District may impose a charge for copying, mailing and handling.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," or other similar words. 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.

All terms used in this Official Statement and not otherwise defined shall have the meanings given such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the Law, and the Resolution.

Purposes of Issuance

The Bonds are being issued to (a) finance Project as described in the Authorization, and (b) pay for costs of issuance of the Bonds. The Bonds constitute the second issue of bonds under the Authorization. See “—Estimated Sources and Uses of Funds.”

The District has authorized and issued certain other general obligation bonds. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure.

Security and Source of Payment

The Bonds constitute general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal and Accreted Value of and interest on the Bonds when due. The levy may include an allowance for a reserve, established to avoid fluctuations in tax levies. Such taxes, when collected, will be deposited, with respect to the Bonds, into an interest and sinking fund (the “Interest and Sinking Fund”) and which is required by the California Education Code to be applied for the payment of principal and Accreted Value of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Treasurer-Tax Collector will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

Moneys placed in the Interest and Sinking Fund of the District are irrevocably pledged for the payment of the principal and Accreted Value of and interest on the Bonds when and as the same fall due. The property taxes and amounts held in the Interest and Sinking Fund of the District shall immediately be subject to this pledge, and the pledge shall constitute a lien and security interest which shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The pledge is an agreement between the District and the Owners of the Bonds in addition to the statutory lien in accordance with section 53515(a) of the California Government Code, and the Bonds were issued to finance one or more projects and not to finance the general purposes of the District.

In accordance with section 53515(a) of the California Government Code, the Bonds shall be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax for the bonds approved by the 2016 Authorization. The lien shall automatically attach without further action or authorization by the District or the County. The lien shall be valid and binding from the time the Bonds are issued and delivered. The revenues received pursuant to the levy and collection of the tax shall be immediately subject to the lien, and the lien shall automatically attach to the revenues and be effective,

binding, and 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 physical delivery, recordation, filing, or further act.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal and Accreted Value of and interest on the Bonds as the same become due and payable, will be transferred by the County, through the County Treasurer-Tax Collector, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal and Accreted Value of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal, Accreted Value, and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* 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 in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX G—BOOK-ENTRY SYSTEM.

The Bonds are dated their date of delivery and accrete interest from such date. The Initial Principal Amount of each maturity of the Bonds are shown on the cover hereof. The Bonds are issued in denominations such that the maturity value thereof shall equal \$5,000 or an integral multiple thereof. The Bonds are payable only at maturity, in the years and amounts set forth on the cover page hereof.

The Bonds will not bear current interest. Interest on the Bonds will be compounded on February 1 and August 1 of each year, commencing August 1, 2014; each Bond shall accrete in value daily over the term to its maturity, from its Initial Principal Amount on the date of delivery thereof to its stated Maturity Value at maturity thereof. See APPENDIX H—ACCRETED VALUE TABLES.

The interest portion of the Accreted Value of any Bond which is payable on the date of maturity represents interest accreted and coming due on such date. As to the Bonds, "Bond Payment Date" means the stated maturity dates thereof or mandatory redemption dates, as applicable. The Accreted Value of any Bond at maturity will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent. See also "Book Entry Only System" below.

See the maturity schedule on the cover page hereof and “Debt Service Schedule.”

The Bonds will have the Maturity Values as shown on the cover hereof. Values of principal and Accreted Value on each compounding date prior to maturity are indicated on the tables set forth in APPENDIX H—ACCRETED VALUE TABLES. Information on Accreted Values in this Official Statement and the Accreted Value tables in APPENDIX H—ACCRETED VALUE TABLES have been provided by the Underwriter.

Payment

The redemption price, if any, on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, _____, are non-callable. The Bonds maturing on August 1, _____, or on any date thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on any date on or after August 1, _____ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, _____ (the “Term Bonds”) are also subject to mandatory sinking fund redemption on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent:

Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
_____	_____

†Maturity

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District

and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the then Accreted Value of \$5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the then Accreted Value of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to mail (by first class mail) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue or accrete from and after the redemption date.

Notwithstanding the foregoing, in the case of any optional redemption of the Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent will send written notice to the Owners, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a

condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. In the event only a portion of any Bonds is called for redemption, then upon surrender of such Bonds the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. Bonds need not be presented for mandatory sinking fund redemptions.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed will become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, will be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Defeasance

Discharge of Resolution. 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 Resolution by the District:

- (i) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;
- (ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem Bonds Outstanding; or
- (iii) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

then and in that case, at the election of the District (evidenced by a certificate of a District Representative (as such term is defined in the Resolution), filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolution and all covenants, agreements and other obligations of the District under the Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Resolution

which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Resolution) 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 shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited in trust with an escrow holder as aforesaid for such payment, provided further, however, that the provisions of the Resolution shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent. Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust with an escrow holder 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 pursuant to the Resolution and shall 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 shall have been given as provided in the Resolution or provision satisfactory to the Paying Agent will have been 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 will have been given provided in the Resolution or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution. Notwithstanding any provisions of the Resolution, any moneys held by an escrow holder in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has

become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by the Resolution, and all liability of the escrow holder with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (the "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

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

In all cases of exchanged or transferred Bonds, the District will sign, and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds

will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

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

Estimated Sources and Uses of Funds

The estimated sources and uses of funds in connection with the Bonds are as follows:

<u>Sources of Funds:</u>	
Principal Amount of Bonds	
Plus: Net Original Issue Premium	
Total Sources of Funds	<hr/> <hr/>
 <u>Uses of Funds:</u>	
Deposit to Building Fund	
Deposit to Interest and Sinking Fund	
Deposit to Costs of Issuance Fund ⁽¹⁾	
Total Uses of Funds	<hr/> <hr/>

(1) Includes the Underwriter’s discount, the fees of the municipal advisor, bond counsel, disclosure counsel, the rating agency and other third-party providers. Any excess in the Costs of Issuance Fund will be transferred to the District’s Interest and Sinking Fund.

Financing Plan

The proceeds of sale of the Bonds, exclusive of any premium and accrued interest received, shall be deposited in the County Treasury to the credit of a building fund created and held by the County for the District (the “Building Fund”). Any premium and accrued interest shall be deposited upon receipt in the Interest and Sinking Fund of the District within the County Treasury. All funds held in the Interest and Sinking Fund of the District shall be invested at the sole discretion of the County Treasurer. All funds held in the Building Fund of the District by the County Treasurer hereunder shall be invested at the County Treasurer’s discretion, unless otherwise directed in writing by the District, pursuant to law and the investment policy of the County. In addition, at the written direction of the District, all or any portion of the Building Fund of the District may be invested in the Local Agency Investment Fund in the treasury of the State of California. The County Treasurer’s Office neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds. See “APPENDIX D—COUNTY INVESTMENT POLICY.”

A portion of the proceeds of the Bonds will be retained by the Paying Agent in a costs of issuance account (the “Costs of Issuance Account”) and used to pay costs associated with the issuance of the Bonds.

Debt Service Schedule

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

<u>Bond Year Ending August 1</u>	<u>Denominational Amount</u>	<u>Maturity Value</u>
--	----------------------------------	---------------------------

TOTAL _____
 =====

PAYING AGENT

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption 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 redemption of the Bonds called for redemption or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter 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 for the Bonds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

The District, established in 1923, provides K-8 education to pupils in and around the census designated place of Lucerne in the County. The District operates one school, the Lucerne Elementary School, and covers approximately 30 square miles. The District has a current K-8 enrollment of approximately 300 students.

The District is governed by the three-member District Board, whose members are elected at large to four-year terms. The members of the District Board elect a president and clerk each year. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel.

Unless otherwise indicated, the financial, statistical and demographic data in this Official Statement has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Lucerne Elementary School District, Attention: Business Manager.

For certain financial information concerning the District, see APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION. The District’s audited financial statements for the fiscal year ended June 30, 2023, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023.

Board of Education and Administration

Elections for positions to the District Board are held every two years, alternating between one and two available positions. The current members of the District Board are listed in the following table.

<u>District Board Member</u>	<u>Office</u>	<u>Current Term Expires (December)</u>
Cheyenne Higgins	President	2026
Nicole Zwinge	Clerk	2026
Stacia Fetzer	Boardmember	2024

The administrative staff of the District includes Superintendent Megan Grant and Business Manager Lacy Music.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's General Fund is not a source for the repayment of the Bonds.

General

To provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, the Board of Supervisors of the County will levy and collect *ad valorem* taxes on all taxable parcels within the District, which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation is considered in connection with the State's Local Control Funding Formula ("LCFF") which determines the amount of funding received by the District from the State to operate the District's educational programs and operations. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State. LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. See "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and "—State Funding; Recent State Budgets." As described below, the general *ad valorem* property tax levy, a portion of which is allocated to the District for operating purposes and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

The District received approximately 7.38% of its total general fund operating revenues from local property taxes in fiscal year 2022-23.

Local property taxation is the responsibility of various officers of the counties. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors

for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes according to the approved tax rolls. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization (the "SBE") also assesses certain special classes of property, as described later in this section.

Method of Property Taxation

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIII A of the California Constitution, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See APPENDIX B-DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of "base" sources from all of the tax rate areas in the District. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the SBE is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of

10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent 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 Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes beginning the second month after the delinquent date, and on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the SBE. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and County taxing purposes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

HISTORIC ASSESSED VALUATIONS
Fiscal Years 2012-13 to 2023-24

Fiscal Year	Secured	Utility	Unsecured	Total Valuation	Percent Growth
2014-15	\$307,614,372	—	\$4,769,160	\$312,383,532	NA
2015-16	307,400,483	—	4,200,990	311,601,473	(0.25%)
2016-17	310,582,052	—	4,491,317	315,073,369	1.11
2017-18	318,773,682	—	4,887,658	323,661,340	2.73
2018-19	331,583,842	—	3,864,557	335,448,399	3.64
2019-20	346,420,107	—	4,357,300	350,777,407	4.57
2020-21	367,187,145	—	4,271,875	371,459,020	5.90
2021-22	383,747,198	—	4,015,109	387,762,307	4.39
2022-23	416,887,836	—	4,300,616	421,188,452	8.62
2023-24	433,383,919	—	4,886,181	438,270,100	4.06

Source: California Municipal Statistics, Inc.

As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District’s control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application, in the form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner’s property in any one year must apply to the county assessment appeals board (the “Appeals Board”). Following a review of the application by the county assessor’s office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment or may confirm the assessment. If no stipulation is agreed to, and the applicant elects

to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including fire, earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

2015 Valley Fire. In September 2015, a wildfire occurred (the "Valley Fire") in and around the County that spread to over 76,000 acres. The Valley Fire did not spread to property in the District but did require the temporary evacuation of a portion of the residents of the District until the Valley Fire was subdued. The District's own facilities and the taxable property were not burned by the Valley Fire but did experience significant smoky conditions. Should a future fire damage taxable property in the District, lower assessed values would necessitate a corresponding increase in the annual tax rate levied to pay the principal of and interest on outstanding District bonds.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously

in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

State-Assessed Property. Under the Constitution, the SBE assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The SBE also is required to assess pipelines, flumes, canals, and aqueducts lying within two or more counties. The value of property assessed by the SBE is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the SBE. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the SBE. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

The following table shows the current assessed valuation of each jurisdiction within the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION⁽¹⁾
Fiscal Year 2023-24

Jurisdiction	Assessed Value in Improvement District	% of Improvement District	Assessed Value of Jurisdiction	% of Jurisdiction In School District
Unincorporated Lake County	\$438,270,100	100.00%	\$7,676,977,737	5.71%
Total District	438,270,100	100.00%		
Lake County	\$438,270,100	100.00%	\$9,415,707,745	4.65%

Source: California Municipal Statistics, Inc.

(1) Total Secured Assessed Valuation, excluding tax-exempt property.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2023-24

	FY2023-24 Assessed. Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non Residential:</u>				
Agricultural/Rural	\$28,615,221	6.60%	85	0.92%
Commercial/Office	29,786,214	6.87	64	0.70
Vacant Commercial	1,883,291	0.43	42	0.46
Recreational	144,160	0.03	3	0.03
Government/Social/Institutional	6,170,960	1.42	21	0.23
Miscellaneous	88,402	0.02	4	0.04
Subtotal Non-Residential	<u>\$66,688,248</u>	<u>15.39%</u>	<u>219</u>	<u>2.38%</u>
<u>Residential:</u>				
Single Family Residence	\$246,358,956	56.85%	1,085	11.79%
Mobile Home	64,963,524	14.99	682	7.41
Mobile Home Park	4,941,516	1.14	9	0.10
2+ Residential Units	4,114,989	0.95	19	0.21
Miscellaneous Residential	15,947,762	3.68	99	1.08
Vacant Residential	30,368,924	7.01	7,089	77.04
Subtotal Residential	<u>\$366,695,671</u>	<u>84.61%</u>	<u>8,983</u>	<u>97.62%</u>
Total	<u>\$433,383,919</u>	<u>100.00%</u>	<u>9,202</u>	<u>100.00%</u>

Source: California Municipal Statistics, Inc.

(1) Total secured assessed valuation, excluding tax-exempt property.

The following table shows the assessed valuations of single-family homes for the District, including the average and median assessed value per single family homes.

ASSESSED VALUATION OF SINGLE-FAMILY HOMES
Fiscal Year 2023-24

	No. of Parcels	FY2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,085	\$246,358,956	\$227,059	\$171,853

FY 2023-24 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	6	0.553%	0.553%	\$ 91,903	0.037%	0.037%
\$25,000 - \$49,999	47	4.332	4.885	1,795,338	0.729	0.766
\$50,000 - \$74,999	96	8.848	13.733	6,022,276	2.445	3.211
\$75,000 - \$99,999	101	9.309	23.041	8,945,809	3.631	6.842
\$100,000 - \$124,999	108	9.954	32.995	12,120,497	4.920	11.762
\$125,000 - \$149,999	109	10.046	43.041	14,977,893	6.080	17.841
\$150,000 - \$174,999	82	7.558	50.599	13,264,281	5.384	23.225
\$175,000 - \$199,999	80	7.373	57.972	14,837,584	6.023	29.248
\$200,000 - \$224,999	67	6.175	64.147	14,257,458	5.787	35.035
\$225,000 - \$249,999	74	6.820	70.968	17,501,920	7.104	42.140
\$250,000 - \$274,999	53	4.885	75.853	13,901,476	5.643	47.782
\$275,000 - \$299,999	39	3.594	79.447	11,061,381	4.490	52.272
\$300,000 - \$324,999	29	2.673	82.120	8,980,234	3.645	55.918
\$325,000 - \$349,999	27	2.488	84.608	9,073,179	3.683	59.601
\$350,000 - \$374,999	19	1.751	86.359	6,828,356	2.772	62.372
\$375,000 - \$399,999	9	0.829	87.189	3,463,196	1.406	63.778
\$400,000 - \$424,999	9	0.829	88.018	3,743,218	1.519	65.297
\$425,000 - \$449,999	18	1.659	89.677	7,819,648	3.174	68.471
\$450,000 - \$474,999	10	0.922	90.599	4,634,713	1.881	70.353
\$475,000 - \$499,999	8	0.737	91.336	3,903,058	1.584	71.937
\$500,000 and greater	94	8.664	100.000	69,135,538	28.063	100.000
Total	1,085	100.000%		\$246,358,956	100.000%	

Source: California Municipal Statistics, Inc.

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Bonds is the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State

and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area (“TRA”) within the District for the past five fiscal years. TRA 61-004 comprises approximately 46.39% of the total assessed value of property in the District.

TYPICAL *AD VALOREM* TAX RATES
Tax Rates as a Percent of Assessed Valuation

Total Tax Rates (TRA 61-004 – FY2023-24 Assessed Valuation: \$203,300,057)

	Fiscal Year				
	2019-20	2020-21	2021-22	2022-23	2023-24
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Lucerne School District	0.05342	0.01427	0.04227	0.01107	0.02406
Upper Lake Union High School District	0.05276	0.03636	0.06461	0.06378	0.04223
Mendocino Lake Community College District	0.02200	0.02300	0.02100	0.02300	0.02000
Total Tax Rate	<u>1.12818</u>	<u>1.07363</u>	<u>1.12788</u>	<u>1.09785</u>	<u>1.08629</u>

Source: California Municipal Statistics, Inc.

Largest Property Owners

Based on current fiscal year locally assessed taxable valuations, the top twenty taxable property owners in the District represent approximately 12.83% of the total current fiscal year taxable value.

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation for the current fiscal year.

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2023-24

	Property Owner	Primary Land Use	FY2023-24 Assessed Valuation	% of Total (1)
1.	Ceago Del Lago LLC	Vineyards/Resort	\$ 9,638,390	2.22%
2.	High Valley Ridge LLC	Agricultural	4,747,719	1.10
3.	California Water Service Co.	Water Company	4,449,796	1.03
4.	Shannon Wine Company LLC	Winery	4,082,944	0.94
5.	Leventhal Realty Bartlett Springs LLC	Agricultural	4,052,354	0.94
6.	Earthways Foundation Inc.	Institutional	3,254,868	0.75
7.	H & S Energy LLC	Gas Station	3,080,712	0.71
8.	D Judd Apartments LLC	Office Building	2,971,770	0.69
9.	Brookwood Land Management LLC	Agricultural	2,205,157	0.51
10.	Lemon Glow Company	Agricultural	1,976,760	0.46
11.	Peter W. And Victoria Eschelbach	Residential	1,716,001	0.40
12.	Lucerne on the Lake MHP LLC	Mobile Home Park	1,690,650	0.39
13.	Shaman Hill Resort LLC	Residential	1,677,700	0.39
14.	Lorraine Village LLC	Mobile Home Park	1,654,164	0.38
15.	James K. Wickersham. Trustee	Residential	1,632,994	0.38
16.	Lucerne Country Club MHC LLC	Mobile Home Park	1,480,149	0.34
17.	George J. & Jacqueline Donahoe	Residential	1,447,471	0.33
18.	Leonard Jon And Yolanda Lubrano	Residential	1,300,500	0.30
19.	Jacob O'Sullivan, Trustee	Residential	1,285,032	0.30
20.	Linda Lee and Carl Edward Olson	Motel	1,260,277	0.29
			<u>\$55,605,408</u>	<u>12.83%</u>

Source: California Municipal Statistics, Inc.

(1) FY2023-24 local secured assessed valuation: \$433,383,919.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The following table reflects the five-year historical secured tax levy and year-end delinquencies for general obligation bonds of the District for the most recent fiscal years. See “Teeter Plan” below for a discussion of the application of the Teeter Plan in the County which provides the District with 100% of the secured property tax levy irrespective of delinquencies.

SECURED TAX CHARGE AND DELINQUENCY
Fiscal Years 2018-19 to 2022-23

	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Del. June 30
2018-19	\$ 53,533.65	\$ 2,790.66	5.21%
2019-20	194,738.26	11,902.38	6.11
2020-21		not available	
2021-22	161,727.54	13,055.74	8.07
2022-23	45,072.96	2,903.22	6.44

Source: California Municipal Statistics, Inc.
(1) District’s debt service levy for outstanding general obligation bonds.

Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies, including for the Bonds. The Teeter Plan is not applicable to unsecured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The County cash position is protected by a special fund, known as the “Tax Loss Reserve Fund,” which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year’s tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County’s general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may also, after holding a public hearing on the matter, discontinue 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 roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The District is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of January 1, 2024, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

LUCERNE SCHOOL DISTRICT

2023-24 Assessed Valuation: \$438,270,100

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/24</u>
Mendocino-Lake Community College District	3.229%	\$2,614,507
Upper Lake Unified School District (former High School District Bonds)	39.838	3,904,022 ⁽¹⁾
Lucerne School District	100.000	<u>2,770,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		9,288,529
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Upper Lake Unified School District General Fund Obligations	39.838%	<u>2,266,671</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		2,266,671
COMBINED TOTAL DEBT		11,555,200 ⁽²⁾

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$2,770,000)	0.63%
Total Direct and Overlapping Tax and Assessment Debt.....	2.12%
Combined Total Debt	2.64%

Source: California Municipal Statistics, Inc.

(1) Excludes Bonds to be sold.

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

Bonding Capacity

As a school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. Based on the fiscal year 2023-24 assessment roll, the District's gross bonding capacity is approximately \$5,478,376.25 and its net bonding capacity, subtracting its outstanding bonds of \$2,770,000, is \$2,708,376.25, not counting the issuance of the Bonds. Refunding bonds, such as the Bonds, may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Cybersecurity Risks

The District and the County may each face various cyber security threats, including, but not limited to, hacking, viruses, malware, ransomware and other attacks on their computers and their networks. No assurance can be given that the District's or County's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District or the County. The District is reliant on the County in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of *ad valorem* taxes, the Paying Agent, and the dissemination agent. No assurance can be given that the District, the County, and these other entities will not be adversely affected by cyber threats and attacks in a manner that may affect owners of the Bonds.

Bankruptcy Risks

In bankruptcy, the voluntary application of pledged special revenues to indebtedness secured by such revenues is not subject to the automatic stay. A recent decision by the United States Court of Appeals for the First Circuit in a case involving revenue bonds of the Puerto Rico Highways & Transportation Authority, however, concludes that an action by bondholders to compel the application of pledged special revenues is not exempt from the automatic stay. See "LEGAL MATTERS" below.

Risk of Changing Economic Conditions

Property values could be reduced by factors beyond the District's control, including an earthquake, or a depressed real estate market due to general economic conditions in the County, the region, and the State. The District, like much of California, is located in a seismically active region.

Natural Calamities

General. From time to time, property within the District has been and could be subject to natural calamities, including, but not limited to, earthquake, flood or wildfire, that may adversely affect economic activity in the District, and which could have a negative impact on the District's property tax collections.

Seismic. Like most regions in California, the District is in an area of significant seismic activity. There are numerous earthquake faults near the District, including particularly the Hayward fault. The Hayward fault covers the hills on the east side of the San Francisco Bay and into San Pablo Bay. Numerous other faults are capable of producing damaging earthquakes similar in magnitude to the 1989 Loma Prieta earthquake. Soils in lowland areas away from major faults may also be unable to support buildings during major earthquakes. Landslides are likely on hillsides during major earthquakes. Coastal areas are also at risk of tsunamis, generated from earthquakes on local faults or across the Pacific. In addition to potential declines

in property tax revenues, damage resulting from such an event could have a material adverse effect on the District's financial condition as well, through unexpected recovery costs.

Flood. Like most of the State, the property within the District is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. The primary water courses in the County have the potential to flood at irregular intervals, generally in response to a succession of intense winter rainstorms. The worst-case scenario is a series of storms that flood numerous drainage basins in a short time. This could overwhelm the response and floodplain management capability. Major roads could be blocked, preventing critical access for many residents and critical functions. High in-channel flows could cause water courses to scour, possibly washing out roads and creating more isolation problems. While major flooding is not likely to occur in the District, minor street flooding is possible during any severe winter storm, which can ensue on an annual basis. Mudslides have occurred and can occur along the hillside areas.

Drought. The County has experienced severe drought periods in recent years. A severe to exceptional drought began in 2020 and continued until 2023. Future severe droughts in the District could result in water rationing resulting in loss of public and private landscaping. Region-wide, drought results in large-scale tree die-off which increases the likelihood and severity of wildland fires.

Wildfire. Major wildfires have occurred in recent years in different regions of the State in recent years, including significant fires throughout the fall of 2020. The District sustained minor damage as a result of the 2015 Valley Fire, which required the temporary evacuation of a substantial portion of the residents of the District until the Valley Fire was ultimately subdued. Serious and significant property damage has resulted in other areas of the State due to fire damage. The Governor of the State has previously signed a number of measures into law addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Recent wildfires in the State have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions as a result of changing weather patterns due to climate change. There can be no assurances that wildfires will not occur within the District or the region or that the District will not be negatively impacted by sustained smoky conditions caused by wildfires.

The District cannot predict or make any representations regarding the effects that natural disasters, such as fire, drought or extended drought conditions, earthquakes or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects said natural disasters or conditions may have on economic activity in the District or throughout the State.

INVESTMENT OF DISTRICT FUNDS

In accordance with Section 41001 of the California Education Code, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer-tax collector serves as *ex officio* treasurer for those school districts located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost.

Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis. In addition, the County is required to establish its own investment policies which may impose limitations beyond those required by the Government Code. See APPENDIX D—COUNTY INVESTMENT POLICY.

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. Following is a discussion of certain considerations relating to potential bankruptcies of school districts in California. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. State law contains a number of safeguards to protect the financial solvency of school districts. See “APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION.” If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the “State Superintendent”), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) on behalf of a district for the adjustment of its debts, assuming that such district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts under current State law are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues) or to enforce any obligation of the District, without the bankruptcy court’s permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, if the bankruptcy court were to determine that the alterations were fair and equitable. In addition, in such a proceeding, as part of such a plan, the District may be able to eliminate the obligation of the County to raise taxes if necessary, to pay the Bonds. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if a school district were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, a school district is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the District’s general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Senate Bill 222 (2015) (“SB 222”) that became effective on January 1, 2016, all general obligation bonds issued by local agencies in California, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board and will be valid and binding from the time the bonds are executed and delivered. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed unless the Bonds are determined to be secured by a pledge of “special revenues” within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the ad valorem tax revenues that are pledged to the payment of the Bonds (see “THE BONDS—Security and Source of Payment”) are determined to be “special revenues” within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged ad valorem revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. “Special revenues” are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the ad valorem taxes for payment of the Bonds. Additionally, the ad valorem taxes levied for payment of the Bonds are permitted under the State Constitution only where either (i) the applicable bond proposition is approved by 55% of the voters and such proposition contains a specific list of school facilities projects, or (ii) if the applicable bond proposition is approved by two-thirds of voters and such bonds must be issued for the acquisition or improvement of real property. Because State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the ad valorem tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the ad valorem tax revenues to pay necessary operating expenses of the District and its schools before the remaining revenues are paid to the owners of the Bonds.

Possession of Tax Revenues; Remedies. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay such tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would take or how effective they would be in obtaining possession of such tax revenues.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor’s Rights. The proposed form of opinion of Bond Counsel, attached hereto as APPENDIX E—FORM OF OPINION OF BOND COUNSEL, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights.

Legal Opinion

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, bond counsel for the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as disclosure counsel and for the Underwriter by _____, _____, California. The fees and expenses of bond counsel, disclosure counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to compliance by the District with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Bonds is excludible from gross income of the owners thereof for federal income tax purposes and is not includible as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations.

Subject to the District's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax exempt obligations" under the small District exception provided under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the “Issue Price”) for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond’s stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to

participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX E—FORM OF OPINION OF BOND COUNSEL.

MUNICIPAL ADVISOR

CFW Advisory Services, LLC, Alameda, California (the “Municipal Advisor”), is an independent financial advisory firm registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor does not underwrite, trade or distribute municipal or other public securities. The Municipal Advisor has assisted the District in connection with the planning, structuring, sale, and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness, or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Bonds are contingent upon their sale and delivery.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide its audited financial statements and certain financial information and operating data relating to the District (the “Annual Report”) by not later than March 31 after the end of the District’s fiscal year (the current end of the District’s fiscal year is on June 30), commencing with the report for the 2023-24 fiscal year which would be due on March 31, 2025, and to provide notices of the occurrence of certain events listed in the District’s Continuing Disclosure Certificate, the form of which is in APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. If the District’s 2023-24 audited financial statements are not yet available by the March 31, 2025, filing date, the District will indicate in such filing of that fact and will file the 2023-24 audited financial statements as soon thereafter as possible. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board (the “MSRB”), by posting on the MSRB’s Electronic Municipal Market Access or “EMMA”

system (website: www.emma.msrb.org). These continuing disclosure covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

In preparation for issuance of the Bonds, the District determined that it has filed all required Annual Reports and financial and operating data as required by its continuing disclosure undertakings during the last five years.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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 bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to the Underwriter at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the County’s authority to levy the *ad valorem* taxes for payment of the Bonds or contesting the District’s ability to issue and retire the Bonds.

RATING

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), has assigned the rating of “___” to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Bonds. See APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of a rating change on EMMA. Purchasers of the Bonds are directed to S&P, its website and official media outlet for the most current rating 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 \$_____ (being equal to the aggregate principal amount thereof, less an Underwriter’s discount of \$_____, plus a net original issue premium

of \$ _____). The bond purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. In addition, the Underwriter will pay certain costs of issuance of the Bonds, as set forth in the bond purchase agreement relating to the Bonds. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution, the Continuing Disclosure Certificate of the District and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

EXECUTION

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

LUCERNE ELEMENTARY SCHOOL
DISTRICT

By _____
Megan Grant,
Superintendent

APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE COUNTY

While the economics of the County and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

Introduction

Lucerne. Lucerne is a census-designated place in Lake County (the “County”), California. According to the United States Census Bureau, Lucerne has a total area of 2.1 square miles (5.4 km²), all of it land. Lucerne is home to a population of approximately 9,000 residents.

The County. The County of Lake is located in northern California, approximately 127 road miles north of San Francisco, 126 road miles northwest of Sacramento, and 80 road miles east of the Pacific Ocean. With a total surface area of 68 square miles (43,000 acres), the County’s Clear Lake is the largest natural freshwater lake entirely within the geographic boundaries of California. The county’s defining feature, Clear Lake has more than 100 miles of shoreline, and sits at an elevation of 1,326 feet above sea level. The County has a mixture of rugged mountains, rolling hills, and broad valleys. Public lands comprise just over half of the County’s acreage. Elevations range from approximately 640 feet to 7,046 feet above sea level. The County is bordered by the counties of Napa, Sonoma, Mendocino, Glenn, Colusa and Yolo.

The County has long been known as a farming community and the local economy is based primarily on agriculture, tourism, and the geothermal power industry. The County is a wine grape-growing area and also is famous for its pears and walnuts.

Population

The table below summarizes population of the County and the State of California for the last five years.

LAKE COUNTY and CALIFORNIA Population

Year	Lake County	State of California
2019	64,187	39,605,361
2020	64,005	39,648,392
2021	67,526	39,286,510
2022	67,421	39,078,674
2023	66,800	38,940,231

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2019-23, with 2020 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

**LAKE COUNTY, CALIFORNIA, and UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2018	Lake County	29,110	27,590	1,520	5.2%
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019	Lake County	29,160	27,690	1,470	5.0
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7
2020	Lake County	28,270	25,570	2,700	9.6
	California	18,821,200	16,913,100	1,908,100	10.1
	United States	160,742,000	147,795,000	12,947,000	8.1
2021	Lake County	28,370	26,210	2,160	7.6
	California	18,923,200	17,541,900	1,381,200	7.3
	United States	161,204,000	152,581,000	8,623,000	5.3
2022 ⁽²⁾	Lake County	28,530	27,120	1,410	5.0
	California	19,252,000	18,440,900	811,100	4.2
	United States	164,287,000	158,291,000	5,996,000	3.6

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2018-2022, and US Department of Labor.

- (1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.
- (2) Latest available full-year data.

Major Employers in the County

The table below sets forth the ten largest industries by employment in the County in 2023.

LAKE COUNTY Principal Employers as of June 30, 2023

Employer	Employees	% of Total
Lake County	1,043	17.26%
Adventist Health St. Helena	634	10.50
Konocti Unified School District	450	7.45
Sutter Lakeside Hospital	371	6.14
Calpine Corp.	300	4.97
Lake County Tribal Health	280	4.64
Kelseyville Unified School District	231	3.82
Robinson Ranceria Resort and Casino	213	3.53
Middletown Unified School District	177	2.93
Safeway	157	2.60
Total Top 10	3,856	67.37%

Source: Lake County fiscal year 2022-23 ACFR.

Construction Activity

The following table reflects the five-year history of building permit valuation for the County:

LAKE COUNTY Building Permits and Valuation (Dollars in Thousands)

	2018	2019	2020	2021	2022 ⁽¹⁾
Permit Valuation:					
New Single-family	\$ 20,566	\$ 15,156	\$ 17,451	\$ 15,449	\$ 18,761
New Multi-family	4,511	-	904	8	34,964
Res. Alterations/Additions	5,906	7,134	3,995	5,643	4,707
Total Residential	30,983	22,290	22,352	21,101	58,433
Total Nonresidential	18,629	7,125	36,455	17,625	11,949
Total All Building	49,612	29,415	58,808	38,726	70,382
New Dwelling Units:					
Single Family	95	71	91	92	82
Multiple Family	26	-	6	2	173
Total	121	71	97	94	255

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Columns may not sum to totals due to independent rounding.

(1) Latest available full year data.

Median Household Income

“Effective Buying Income” is defined as personal income less personal tax and nontax 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), nontax 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 median household effective buying income for the City, the County, the State, and the nation for the past five years.

LAKE COUNTY, STATE OF CALIFORNIA AND UNITED STATES Median Household Effective Buying Income

	2018	2019	2020	2021	2022 ⁽¹⁾
Lake County	\$ 41,201	\$ 45,357	\$ 46,805	\$ 48,872	\$ 48,775
California	62,637	65,870	67,956	77,058	77,175
United States	52,841	55,303	56,790	64,448	65,326

Source: Nielsen, Inc.

(1) Latest available full-year data.

APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable solely from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. Commencing with the fiscal year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In fiscal year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The new formula for school funding is known as the "Local Control Funding Formula" (the "Local Control Funding Formula" or "LCFF"). The State budget provided funding in fiscal year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a base rate per student multiplied by the school district's average daily attendance ("ADA") for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local control and accountability plans describing how the school district intends to educate its students and achieve annual education goals to be achieved in state-mandated areas of priority.

Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's ADA. The base revenue limit was calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after considering certain other revenues, in particular, locally generated property taxes. This was referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution. A school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is a LCFF district.

The Local Control Funding Formula is also based on ADA. ADA can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in ADA will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Average Daily Attendance

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After fiscal year 1998-99, school districts that improved their actual attendance rate received additional funding.

As indicated above, commencing with the fiscal year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District’s enrollment, ADA and LCFF Revenues for the most recent fiscal years.

**AVERAGE DAILY ATTENDANCE,
LCFF AND ENROLLMENT
Fiscal Years 2015-16 to 2023-24**

Fiscal Year	Average Daily Attendance ⁽¹⁾	LCFF Revenues ⁽²⁾	Enrollment ⁽³⁾
2015-16	241.88	\$ 2,339,484	255
2016-17	243.44	2,429,661	264
2017-18	240.07	2,462,140	263
2018-19	242.46	2,645,690	253
2019-20	274.58	2,951,207	294
2020-21	274.58	3,149,368	277
2021-22	270.79	3,277,489	292
2022-23	260.96	3,682,487	302
2023-24 ⁽⁴⁾	291.50	4,187,728	295

Source: Lucerne Elementary School District

- (1) Except for FY2023-24, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
- (2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09 and discontinued following the implementation of the LCFF.
- (3) Enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.
- (4) Projections from the District’s fiscal year 2023-24 1st Interim Report, adopted December 13, 2023.

Effect of Changes in ADA. Changes in local property tax income and student enrollment (or ADA) affect community funded districts and revenue limit districts, now known as “LCFF districts,” differently.

In a LCFF district, such as the District, increasing enrollment increases the amount allocated under LCFF and thus generally increases a district's entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slower than enrollment growth until the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid, while operating costs typically decrease slowly until the district decides to lay off teachers, close schools, or initiate other cost-saving measures.

In community funded districts the opposite is generally true: increasing enrollment does increase the amount allocated under LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. New students impose increased operating costs, but typically at a slower pace than enrollment growth, and the effect on the financial condition of a community funded district would depend on whether property tax growth keeps pace with enrollment growth. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

For LCFF districts, any loss of local property taxes is made up by an increase in State aid. For community funded districts, the loss of tax revenues is not reimbursed by the State.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in and out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the district to make adjustments in fixed operating costs.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. The District's fiscal year 2023-24 Budget and the projected ADA amounts therein are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District's actual funding level for fiscal year 2023-24 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Treatment of Declining Enrollment Under LCFF. Since the inception of the LCFF, school districts have received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment.

To mitigate the impact of LCFF funding losses in light of the COVID-19 pandemic, the fiscal year 2020-21 State Budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which A.D.A. for fiscal year 2020-21 was based on fiscal year 2019-20. The fiscal year 2021-22 State Budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22, but allowed school districts to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A.

The 2022-23 State Budget amended the LCFF calculation to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' A.D.A. to allow school districts more time to adjust to enrollment related LCFF funding declines.

The 2023-24 State Budget includes an additional modification to the LCFF known as the “equity multiplier.” This equity multiplier will be allocated for school sites with especially high shares of students who qualify for free meals under the federal nutrition program (90 percent or above for elementary and middle schools and 85 percent or above for high schools). For additional discussion, see STATE FUNDING; RECENT STATE BUDGETS herein.

District Budget and County Review

Budgeting 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 County’s Superintendent of Schools.

The county superintendent must review and approve, conditionally 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. In the event that the county superintendent conditionally approves or disapproves the school district’s budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the State Superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If at any time during the fiscal year the county superintendent determines that a school district may be unable to meet its financial obligations for the current or two subsequent fiscal years or if a school district has a qualified or negative certification (as describe below), the county superintendent will notify the governing board of the school district and the State Superintendent of that determination and report to the State Superintendent the financial condition of the school district. The county superintendent will also report proposed remedial actions and take at least one of the following and all actions that are necessary to ensure that the school district meets its financial obligations: (a) assign a fiscal expert, (b) conduct a study of the financial and budgetary conditions of the school district that includes, but is not limited to, a review

of internal controls, (c) direct the school district to submit a financial projection of all fund and cash balances of the school district as of June 30 of the current year and subsequent fiscal years, (d) require the school district to encumber all contracts and other obligations, to prepare appropriate cashflow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables, (e) direct the school district to submit a proposal for addressing the fiscal conditions that resulted in the determination that the school district may not be able to meet its financial obligations, (f) withhold compensation of the members of the governing board of the school district and the school district superintendent for failure to provide requested financial information, and (g) assign the County Office of Education and Fiscal Crisis and Management Assistance Team to review and provide recommendations related to teacher hiring practices, teacher retention rate, percentage of provision of highly qualified teachers, and the extent of teacher misassignment in the school district.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. 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.

Interim Reporting. A State law adopted in 1991 (known as "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 and the Education Code (Section 42100 et seq.), each school district is required to file two 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 fiscal year. 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, based on then current projections, 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, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives 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 and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. The District has received a positive certification on its 1st interim financial report for fiscal year 2023-24.

Emergency Appropriation from the State. For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

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.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified

expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Financial Statements

The District's general fund finances the basic operating activities of the District. 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. Audited financial statements for the District for the fiscal year ended June 30, 2023, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 510 G Street, Antioch, California 94509, telephone number (925) 779-7500. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023.

General Fund Revenues, Expenditures, and Changes in Fund Balances. The following table shows the District's audited revenues, expenditures and changes in fund balances for the past four fiscal years and budgeted projections for fiscal year 2023-24 from the District's 1st Interim Report, as adopted December 13, 2023.

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2019-20 to 2023-24**

	Fiscal Year Ending June 30,				
	2020 Audited	2021 Audited	2022 Audited	2023 Audited	2024 Budgeted ⁽¹⁾
REVENUES					
LCFF Sources	\$ 2,951,207	\$ 3,149,368	\$ 3,277,489	\$ 3,682,487	\$ 4,187,728
Federal Sources	220,217	607,518	570,293	534,971	1,069,000
Other State Sources	246,364	488,866	861,892	1,445,173	1,463,360
Other Local Sources	186,218	137,864	211,985	420,565	406,074
Total Revenues	<u>3,604,006</u>	<u>4,383,616</u>	<u>4,921,311</u>	<u>6,083,196</u>	<u>7,126,162</u>
EXPENDITURES					
Certificated Salaries	1,235,175	1,445,511	1,374,518	1,311,350	1,741,512
Classified Salaries	518,139	534,317	644,579	775,331	997,672
Employee Benefits	924,604	1,028,422	1,107,521	1,139,440	1,439,962
Books and Supplies	157,260	192,712	257,405	204,387	330,407
Contract Services and Op. Ex.	412,252	401,316	517,890	934,199	1,097,912
Capital Outlay	46,467	88,238	1,050,605	61,195	1,262,559
Other Outgo	59,323	95,038	136,354	160,211	343,218
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	<u>3,353,220</u>	<u>3,785,554</u>	<u>5,088,872</u>	<u>4,586,113</u>	<u>7,213,242</u>
Excess of Revenues over Expenditures	250,786	598,062	(167,561)	1,497,083	(87,080)
OTHER FINANCING SOURCES					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(70,895)	(21,552)	(86,400)
Other sources	-	-	-	-	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>(70,895)</u>	<u>(21,552)</u>	<u>(86,400)</u>
NET CHANGE IN FUND BALANCES	250,786	598,062	(238,456)	1,475,531	(173,480)
Fund Balance, July 1	<u>1,988,235</u>	<u>2,239,021</u>	<u>2,734,841</u>	<u>2,496,385</u>	<u>3,971,917</u>
Fund Balance, June 30	<u>2,239,021</u>	<u>2,837,083</u>	<u>2,496,385</u>	<u>3,971,917</u>	<u>3,798,437</u>

Source: Lucerne Elementary School District 2020-23 Audited Financial Statements and 2023-24 1st Interim Report, as adopted December 13, 2023.

(1) From the District's 2023-24 1st Interim Report, as adopted December 13, 2023.

Budget to Actuals Comparison. The following table shows a comparison of the District’s General Fund revenues, expenditures, and changes in fund balances for fiscal years 2021-22 and 2022-23, as projected in the District’s original budget, final budget, and audited actuals for those fiscal years.

**GENERAL FUND
BUDGET TO ACTUALS COMPARISON
Fiscal Years 2021-22 and 2022-23**

	Fiscal Year Ending June 30, 2022			Fiscal Year Ending June 30, 2023		
	Original Budget	Final Budget	Audited Actuals	Original Budget	Final Budget	Audited Actuals
REVENUES						
LCFF Sources	\$ 3,154,663	\$ 3,302,489	\$ 3,277,141	\$ 3,589,114	\$ 3,700,167	\$ 3,682,487
Federal Sources	220,177	1,623,277	570,293	1,193,907	1,340,725	534,971
Other State Sources	149,120	301,301	861,892	277,743	1,879,061	1,445,173
Other Local Sources	180,865	217,986	211,985	386,170	384,107	420,565
Total Revenues	3,704,825	5,445,053	4,921,311	5,446,934	7,304,060	6,083,196
EXPENDITURES						
Certificated Salaries	1,483,092	1,446,615	1,374,518	1,549,317	1,446,943	1,311,350
Classified Salaries	686,619	672,391	644,579	797,794	802,930	775,331
Employee Benefits	1,031,000	1,108,470	1,107,521	1,228,259	1,268,309	1,139,440
Books and Supplies	161,253	283,289	257,405	218,339	334,583	204,387
Contract Services and Op. Ex.	429,011	863,506	517,890	1,132,214	1,412,182	934,199
Capital Outlay	851,757	1,784,415	1,050,605	475,000	475,000	61,195
Other Outgo	101,081	101,081	136,354	136,712	146,712	160,211
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
Total Expenditures	4,743,813	6,259,767	5,088,872	5,537,635	5,886,659	4,586,113
Revenues over Expenditures	(1,038,988)	(814,714)	(167,561)	(90,701)	1,417,401	1,497,083
OTHER FINANCING SOURCES						
Operating transfers in	-	(66,617)	(70,895)	(12,500)	(18,500)	(21,552)
Operating transfers out	-	-	-	-	-	-
Total financing sources (uses)	-	(66,617)	(70,895)	(12,500)	(18,500)	(21,552)
Net change in fund balances	(1,038,988)	(881,331)	(238,456)	(103,201)	1,398,901	1,475,531
Fund Balance, July 1			2,734,841			2,496,385
Fund Balance, June 30			2,496,385			3,971,913

Source: Lucerne Elementary School District FY2021-22 and FY2022-23 Audited Financial Statements.

Summary of District Revenues and Expenditures

The District’s audited financial statements for the year ending June 30, 2023, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. Substantially all funds of the District are required by law to be deposited with and invested by the County Director of Finance on behalf of the District, pursuant to law and the investment policy of the County. See “INVESTMENT OF DISTRICT FUNDS” in the front portion of this Official Statement and in APPENDIX D—COUNTY INVESTMENT POLICY.

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the school district's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for fiscal year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographic. Each school district and charter school receive a base grant per its ADA used to support the basic costs of instruction and operations. The implementation of the LCFF began in fiscal year 2013-14 and was fully implemented during fiscal year 2018-19.

The LCFF includes the following components:

- An average base grant for each local education agency per unit of ADA as detailed in the CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION LOCAL CONTROL TARGET FUNDING FORMULA 2023-24 summary table herein.
- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced-price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."
- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of unduplicated student enrollment, for fiscal years 2014-15 through 2023-24.

ADA, ENROLLMENT AND UNDUPLICATED ENROLLMENT PERCENTAGE
Fiscal Years 2014-15 through 2023-24

Fiscal Year	Average Daily Attendance				Total District ADA ⁽¹⁾	Total District Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽³⁾
	K-3	4-6	7-8	9-12			
2014-15	122.56	74.06	51.73	—	248.35	263	93.16%
2015-16	107.10	82.45	52.33	—	241.88	255	86.27
2016-17	108.43	87.88	47.13	—	243.44	264	90.64
2017-18	117.52	80.27	42.28	—	240.07	263	90.53
2018-19	116.90	75.82	49.74	—	242.46	253	89.76
2019-20	136.46	84.37	53.27	—	274.58	294	88.41
2020-21	136.94	84.37	53.27	—	274.58	277	86.65
2021-22	138.33	81.94	50.52	—	270.79	292	85.63
2022-23	139.00	74.65	47.31	—	260.96	302	83.58
2023-24 ⁽⁴⁾	149.98	91.73	49.79	—	291.50	295	81.21

Source: Lucerne Elementary School District

(1) Except for FY2023-24, reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students is based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) Budgeted projections from the District’s FY2023-24 1st Interim Report, as adopted on December 13, 2023.

Of the more than \$25 billion in funding to be invested through the LCFF through full implementation of the LCFF, the vast majority of new funding is provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was \$7,643, which was an increase of \$2,375 from the prior year’s average revenue limit. Base grants are adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. As the LCFF has been fully implemented, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget on an ongoing basis. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding and restoration of categorical funding to pre-recession levels. The sum of a school district’s adjusted base, supplemental and concentration grants will be multiplied by such district’s Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district’s share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State

apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The legislation includes a “hold harmless” provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its fiscal year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors (“unduplicated” count) is shown below:

**CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA FY2023-24**

Grade Levels	FY2022-23 Base Grants per ADA	FY2023-24 COLA (8.22%)	FY2023-24 Base Grant per ADA	Grade Span Adjustments	FY2023-24 Grant/Adjusted Base Grant per ADA
K-3	\$ 9,166	\$753	\$ 9,919	\$1,032	\$10,951
4-6	9,304	765	10,069	n/a	10,069
7-8	9,580	787	10,367	n/a	10,367
9-12	11,102	913	12,015	312	12,327

Source: California Department of Education.

Since July 1, 2015, school districts have been required to develop a three-year Local Control and Accountability Plan (each, a “LCAP”). County Superintendents of Schools and the State Superintendent review and provide support to school districts and county offices of education under their jurisdictions. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent has authority to make changes to school district or county office’s local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, maintain a dashboard system for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Federal Sources. The federal government provides funding for several District programs, including the Every Student Succeeds Act, special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

Other State Sources. In addition to LCFF revenues, the District receives substantial other State revenues. As described above, the LCFF replaced most of the State categorical program funding that existed prior to fiscal year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and

school districts continue to receive restricted State revenues to fund these programs. These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, and Tier 3 Funding.

Other State revenues include 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.

Other Local Sources. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources.

Effect of State Budget on District Revenues

Most public school districts in California, including the District, are dependent on revenues from the State for a large portion of their operating budgets, because the primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes as previously described herein (see “—Education Funding Generally” above). School districts which are Community Funded however are an exception to this, and derive most of their revenues from local property taxes.

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”), 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 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 generally. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS.”

District Expenditures

The largest part of each school district’s general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

Labor Relations. Labor Relations. Currently the District employs 16 full-time equivalent (FTE) certificated employees represented by the Lucerne Elementary School District Teachers Association (“LETA”) (contract expiring June 30, 2025) and 21.8 FTE classified employees. In addition to the certificated staff represented by LETA, there are 4 additional certificated full time equivalent employees that are not represented by LETA.

District Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources

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

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

Contributions by employers to STRS are based upon rates determined annually in the State’s budgets. The District is currently required to contribute to STRS at an actuarially determined rate.

The District’s contribution to STRS for the most recent fiscal years was as follows:

Fiscal Year	District STRS Contribution
2015-16	\$ 113,870
2016-17	128,853
2017-18	152,922
2018-19	180,933
2019-20	198,711
2020-21	114,447
2021-22	204,505
2022-23	207,136
2023-24 ⁽¹⁾	382,044

Source: Lucerne Elementary School District

Note: FY2023-24 total includes the State’s “on behalf of” payment not otherwise included in totals for prior years.

(1) From the District’s 2023-24 1st Interim Report, adopted December 13, 2023. FY2023-24 contribution is a budgeted projection.

The State also contributes to STRS on behalf of the District. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the “SBPA”), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual COLA’s, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014, included 1,580 public

agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate.

The District’s contribution to PERS for the most recent fiscal years was as follows:

Fiscal Year	District PERS Contribution
2015-16	\$ 46,598
2016-17	62,505
2017-18	74,494
2018-19	91,356
2019-20	105,424
2020-21	114,447
2021-22	170,193
2022-23	236,943
2023-24 ⁽¹⁾	327,632

Source: Lucerne Elementary School District

(1) From the District’s 2023-24 1st Interim Report, adopted December 13, 2023. FY2023-24 contribution is a budgeted projection.

For further information about the District’s contributions to STRS and PERS, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023—Note 10.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference. Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions.

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

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

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

The District’s proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2023, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expenses
STRS	\$ 1,374,541	\$ 602,715	\$ 430,521	\$ (56,423)
PERS	1,667,783	713,256	44,970	293,935
Totals	<u>3,042,324</u>	<u>1,315,971</u>	<u>475,491</u>	<u>237,512</u>

Source: Lucerne Elementary School District 2022-23 Annual Comprehensive Financial Report.

For additional information, see APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023—Note 10.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California’s charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

School districts have certain fiscal oversight and other responsibilities with respect to both affiliated independent and district operated charter schools established within their boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District’s audited financial statements. District operated charter schools receive their funding from the District and would be reflected in the District’s audited financial statements.

The District has no K-12 charters operating within its boundaries.

The District makes no representations regarding how many District students will transfer to charter schools, back to the District from charter schools, or will transfer between the District and other school districts due to the presence of charter schools in the future, and the District cannot predict the corresponding financial impacts of such transfers on the District.

Assembly Bill 1505 was recently enacted (the “AB 1505”), which aims to slow the growth of charter schools. AB 1505 will give school districts increased leverage to deny applications for new charter schools by providing school districts additional discretion when authorizing charter schools to consider the number and enrollment in proposed charter schools, academic outcomes and offerings and a statement of need for the school. The District cannot predict the impact such legislation will have on its operations and finances.

District Debt Structure

Short Term Bonds. The District has no short term debt outstanding.

General Obligation Bonds. The District’s only outstanding bonds are the \$2,920,000 Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series A.

The following table shows the District’s annual requirements to amortize its outstanding general obligation bonds, excluding the Bonds of this issue, assuming no optional redemption:

**AGGREGATE ANNUAL DEBT SERVICE REQUIREMENTS
FOR ALL OUTSTANDING BONDS**

As of April 13, 2021

Bond Year Ending August 1	Principal ⁽¹⁾	Interest ⁽²⁾	Total
2024	\$ 15,000	\$ 100,350.00	\$ 115,350.00
2025	20,000	99,750.00	119,750.00
2026	25,000	98,950.00	123,950.00
2027	35,000	97,950.00	132,950.00
2028	40,000	96,550.00	136,550.00
2029	45,000	94,950.00	139,950.00
2030	50,000	93,150.00	143,150.00
2031	55,000	91,150.00	146,150.00
2032	60,000	88,950.00	148,950.00
2033	70,000	86,550.00	156,550.00
2034	75,000	83,750.00	158,750.00
2035	85,000	80,750.00	165,750.00
2036	90,000	77,350.00	167,350.00
2037	100,000	73,750.00	173,750.00
2038	110,000	69,750.00	179,750.00
2039	115,000	65,350.00	180,350.00
2040	125,000	60,750.00	185,750.00
2041	135,000	55,750.00	190,750.00
2042	145,000	50,350.00	195,350.00
2043	160,000	44,550.00	204,550.00
2044	170,000	38,150.00	208,150.00
2045	185,000	31,350.00	216,350.00
2046	195,000	25,800.00	220,800.00
2047	210,000	19,950.00	229,950.00
2048	220,000	13,650.00	233,650.00
2049	235,000	7,050.00	242,050.00
TOTAL	\$2,770,000	\$1,746,350.00	\$4,516,350

General Fund Debt. The District has no general fund-secured debt outstanding.

STATE FUNDING; RECENT STATE BUDGETS

Information regarding the State Budget is regularly available at various State-maintained websites. The fiscal year 2023-24 State Budget and fiscal year 2024-25 Proposed State Budget described below can be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the State's Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and neither the District nor the Underwriter takes responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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. California school districts receive an average of about 55% of their operating revenues from various State sources. 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 "DISTRICT FINANCIAL INFORMATION"). State funds typically make up the majority of a district's LCFF allocation, although Community Funded school districts derive most of their revenues from local property taxes. School districts also receive some funding from the State for certain 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"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

State Budget Process. Through the State budget process, the State enacts legislation that significantly impacts the source, amount and timing of the receipt of revenues by local agencies, including the District. As in recent years, State budget deficits can result in legislation that adversely impacts local agency budgets.

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 (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures more than projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the 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 two-thirds 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 (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. 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.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only; the information contained within the websites has not been reviewed by the City and is not incorporated herein by reference.

The State Treasurer's Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and the state budget process in greater detail.

The State Legislative Analyst's Office ("LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov.

2023-24 State Budget

On June 27, 2023, the Governor signed the fiscal year 2023-24 State Budget, which was amended through a series of legislative bills, many of which were signed by the Governor on July 10, 2023 (as amended, the "2023-24 State Budget"). The 2023-24 State Budget reflects downturns in revenues driven by a declining stock market, persistently high inflation, rising interest rates, and job losses in high-wage sectors. The 2023-24 State Budget also reflects the fact that most Californians were granted until October, instead of April, to file income tax returns because of storm-related disaster declarations, leading to delays in revenue collections.

The 2023-24 State Budget projects a budget shortfall of approximately \$31.7 billion for the 2023-24 fiscal year, down from a budget surplus of \$7.8 billion in the 2022-23 State Budget. The 2023-24 State Budget addresses the \$31.7 billion shortfall through a variety of solutions, including \$9.3 billion in funding shifts of spending commitments from the General Fund to other funds, \$8.1 billion in General Fund spending reductions or pullbacks of previously approved spending, \$7.9 billion in delayed spending across multiple years, \$6.1 billion in new revenues, primarily from the Managed Care Organization tax, internal borrowing from special fund balances not projected for programmatic purposes, and \$340 million in reductions that will be restored in the State's 2024-25 Budget if there are sufficient resources to do so at that time.

The 2023-24 State Budget projects a \$3 billion increase in general fund revenues as compared to the 2022-23 State Budget (from \$205.6 billion to \$208.7 billion) despite a projected \$4.6 billion decline in projected revenues from personal income taxes. The 2023-24 State Budget reduces General Fund expenditure levels by \$8.7 billion as compared to the 2022-23 State Budget (from \$234.6 billion to \$225.9 billion) with the largest reductions in expenditures occurring in expenditures for legislative, judicial, and executive operations, natural resources, government operations, and environmental protections. The

largest areas of increased expenditures in the 2023-24 State Budget are expenditures related to health and human services and K-12 education.

While the 2023-24 State Budget projects a \$17 billion draw-down of the State General Fund's fund balance (from \$26.3 billion in 2022-23 to \$9.1 billion in 2023-24), the 2023-24 State Budget maintains the funding levels of budget stabilization account/rainy day fund (at \$22.2 billion) and safety net reserve (at \$900 million) while increasing the balance of the State's public school system stabilization account by \$900 million (from \$9.9 billion to \$10.8 billion).

2023-24 State Budget Provisions Specific to K-12 Education. The 2023-24 State Budget includes total funding of \$129.2 billion (\$79.5 billion General Fund and \$49.7 billion other funds) for all K-12 education programs. The 2023-24 State Budget includes a deposit of \$902 million into the Public School System Stabilization Account, the State's primary reserve for K-12 education, for a balance of more than \$10.8 billion in the Public School Stabilization Account at the end of 2023-24. A summary of certain provisions in the 2023-24 State Budget related to K-12 education is shown below. The provisions below are not intended to be a complete summary of the provisions in the 2022-23 State Budget, the complete text of which can be found on the State budget website.

Local Control Funding Formula COLA. The 2023-24 State Budget provides an LCFF cost-of-living adjustment of 8.22 percent, the largest cost-of-living adjustment in the history of LCFF. This adjustment, when combined with declining enrollment adjustments, increases year-over-year discretionary funds available to local educational agencies (LEAs) by approximately \$3.4 billion. The 2023-24 State Budget also reflects the utilization of approximately \$1.6 billion one-time Proposition 98 General Fund to support the overall costs of the LCFF in 2023-24, and provides an increase of \$80 million ongoing Proposition 98 General Fund to support county offices of education serving students in juvenile court and other alternative school settings.

Equity Multiplier. The 2023-24 State Budget provides \$300 million ongoing Proposition 98 General Fund to establish an Equity Multiplier as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps, and \$2 million ongoing Proposition 98 General Fund to support the critical work of the new Equity Leads within the statewide system of support.

State Preschool. The 2023-24 State Budget revises the family fee schedule for the State's Preschool Program to: (1) limit family fees to one percent of a family's monthly income, and (2) prohibit the assessment of a fee for families with an adjusted monthly income below 75 percent of the state median income. Additionally, the 2023-24 State Budget authorizes State Preschool Program family fee debt that accrued but remained uncollected prior to October 1, 2023 to be forgiven. The 2023-24 State Budget also provides roughly \$112 million in available federal funds to provide temporary stipends for State Preschool Program employees.

Transitional Kindergarten. The 2023-24 State Budget provides approximately \$597 million ongoing Proposition 98 General Fund to support the second year (the 2023-24 school year) of expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five-years-old between September 2 and February 2 to all children turning five-years-old between September 2 and April 2 (roughly 42,000 additional children). The 2023-24 State Budget also provides \$165 million Proposition 98 General Fund to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.

Literacy. The 2023-24 State Budget provides \$250 million one-time Proposition 98 General Fund to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train (using evidence-based practices) and hire literacy coaches and reading specialists for one-on-one and small group intervention for struggling readers.

Adjustments to One-Time Spending. The 2023-24 State Budget decreases one-time Proposition 98 General Fund support for the Arts, Music, and Instructional Materials Block Grant by \$200 million, taking total one-time program support from approximately \$3.5 billion to approximately \$3.3 billion. The 2023-24 State Budget delays approximately \$1.1 billion one-time Proposition 98 General Fund for the Learning Recovery Emergency Block Grant to the 2025-26, 2026-27, and 2027-28 fiscal years and delays \$1 billion one-time Proposition 98 General Fund to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to the 2024-25 and 2025-26 fiscal years.

2024-25 Proposed State Budget

On January 10, 2024, Governor Newsom released his proposed budget for fiscal 2025 (the “2024-25 Proposed State Budget”). The 2024-25 Proposed State Budget proposes total expenditures of \$291.5 billion in total across all State funds (approximately \$19 billion less than the 2023-24 State Budget), consisting of approximately \$208.7 billion from the State’s General Fund (approximately \$22 billion less than the 2023-24 State Budget), \$80.8 billion from special funds, and \$2 billion from bond funds. The 2024-25 Proposed State Budget revenues for the General Fund include a one-time draw down of reserves from the Budget Stabilization/Rainy-Day Fund of \$12 billion.

Governor Newsom attributes a total budget shortfall projected in the 2024-25 Proposed State Budget (estimated at \$37.9 billion) to two separate but related developments during the past two years, first, the substantial decline in the stock market that drove down revenues in 2022-23, and second, the unprecedented delay in critical income tax collections caused by natural disasters that resulted in the State pushing back its filing deadline until October. The combination of reduced revenues from personal income taxes and a later income tax filing deadline meant that the Governor and the State legislature lacked the data normally available during the 2023-24 State budget process. As a result, the 2023-24 State Budget committed money that was not actually available to spending programs underway now. As such, the correction that would have come as part of last year’s May Revision is instead being made in the 2024-25 Proposed State Budget.

Governor Newsom’s plan to close the deficit in the 2024-25 Proposed State Budget includes: withdrawing \$13.1 billion from the budget stabilization/rainy-day and safety net reserve accounts, cutting \$8.5 billion from existing programs and services, delaying \$5.1 billion worth of spending and deferring another \$2.1 billion to 2025-26, and \$5.7 billion in internal borrowing from special funds. Due to the State’s high reserves levels, the State would have \$18.4 billion of reserves remaining even after the drawdowns in the 2024-25 Proposed State Budget.

The 2024-25 Proposed State Budget reduces General Fund expenditures by \$22.2 billion compared to 2023-24 levels. The largest areas in General Fund spending reductions in the 2024-25 Proposed State Budget include reductions of \$5.8 billion for legislative, judicial and executive expenditures, reductions of \$6.8 billion in expenditures for natural resources, and reductions of \$2.7 billion in expenditures for business, consumer services, and housing. General Fund revenue sources in the 2024-25 Proposed State Budget are projected to remain relatively similar to 2023-24 levels with only a modest 2.2% increase. The remaining

revenues used to balance the General Fund's budget come primarily from drawdowns of the budget stabilization/rainy day fund.

2024-25 Proposed State Budget Provisions Related to K-12 Education. The non-Proposition 98 expenditures levels for K-12 education in the 2024-25 Proposed State Budget are mostly the same as those in 2023-24, with few changes to transitional kindergarten, community schools, special education, universal school meals and other programs. To support these expenditure levels, the 2024-25 Proposed State Budget draws down approximately \$5.7 billion in reserves from the State's public school system stabilization account (leaving a \$3.8 billion balance remaining) and cuts cost-of-living adjustments to the Local Control Funding Formula — from a record-high of 8.2% last year to less than 1%. The reductions in the LCFF's COLA may present challenges to school districts also facing the loss of COVID relief funds and declining enrollment. The State's Proposition 98 mandated expenditures will decrease by \$15 billion in the 2024-25 Proposed State Budget due to lower than expected revenues relative to the projections in the 2023-24 State Budget.

LAO's Analysis of the 2024-25 Proposed State Budget. On January 13, 2024, the Legislative Analyst's Office released its analysis of the 2024-25 Proposed State Budget, which found certain revenue projections contained in the 2024-25 Proposed State Budget to be "optimistic." The main difference between the estimates in the 2024-25 Proposed State Budget and the LAO's analysis is that the 2024-25 Proposed State Budget estimates the State will see an 8% increase in income tax collections compared to 2023-24, resulting in \$15 billion more in revenues than the LAO's estimate. While the LAO's analysis agrees the rebound in stock prices that occurred in 2023 is one reason for optimism it also notes that "stock market rallies can reverse as quickly as they start."

On the spending side, the LAO's analysis notes strengths and weaknesses. Plans to withdraw \$13 billion from reserves are viewed as reasonable, as are the 2024-25 Proposed State Budget's spending solutions, though some spending-related solutions pose challenges. The reserve drawdown would still leave \$11 billion in the State's budget stabilization/rainy-day fund, which the LAO report called "prudent" since the 2024-25 Proposed State Budget projects operating deficits ranging from \$4 billion to \$9 billion every year through 2026-27.

The LAO's analysis recommends that the State legislature be mindful of future deficits by developing a final 2024-25 State budget that plans for lower revenues over the next three years, maintains a similar reserve withdrawal, develops a plan for school and community college funding, maximizes reductions in one-time spending and applies a higher bar for any discretionary proposals and contains ongoing service levels.

For additional information regarding the 2023-24 State Budget or the 2024-25 Proposed State Budget, please see the Department of Finance website at ebudget.ca.gov and the LAO's website at lao.ca.gov. The District can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference.

Future State Budgets

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the District and other school districts in the State.

The District cannot predict the extent of the budgetary problems the State will encounter in this fiscal year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the District cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

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

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security and Source of Payment.") Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 98, 111, 218 and 39, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) 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.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value

(up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

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

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to directly levy 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.

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Article XIII B of the California Constitution

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

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

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State SBE (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess

revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the SBE. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery, the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. The District estimates that it will receive approximately 2% of the District's general fund revenues from Lottery aid in fiscal year 2023-24. At this time, the amount of additional revenues that may be generated by the Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. 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. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. Charter schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Education. Charter schools operate with minimal supervision by the local school district. Charter schools receive revenues from the State and from the local school district for each student enrolled, and thus effectively reduce revenues available for students enrolled in local school district schools. School districts are required to accommodate charter school students originating in the school district in facilities comparable to those provided to regular school district students.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted to charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students who are residents in the District.

Article XIII C and XIII D of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIII C and XIII D to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the February 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

On November 8, 1988, 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.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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 XIII B 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.

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 XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in 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.

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

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B 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.

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (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. 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 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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 amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Many of the provisions of Proposition 1A have been superseded by Proposition 22 enacted in November 2010.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State’s authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State’s authority to use State fuel tax revenues to pay debt service on state transportation

bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding California Assembly Bill x1 26 to be constitutional and California Assembly Bill x1 27 to be unconstitutional. As a result, all redevelopment agencies in California were dissolved on February 1, 2012, and the property tax revenue which previously flowed to the redevelopment agencies is now instead going to other local governments, including school districts. It is likely that the dissolution of redevelopment agencies has mooted the effects of Proposition 22.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax (which expired on January 1, 2017) and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and through the taxable year 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 \$340,000 but less than \$408,000 for head-of-household filers and 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 \$408,000 but less than \$680,000 for head-of-household filers and 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 \$680,000 for head-of-household filers and over \$1,000,000 for joint filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing 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, a constitutional amendment initiative, was approved by California voters at the November 8, 2016 general election 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. Tax revenue received under Proposition 55 will be allocated 89% to K-12 schools and 11% to community colleges. The sales and use tax rate increase under Proposition 30 will not be extended.

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act (“Proposition 2”) was approved by California voters on November 8, 2016. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State’s Budget Stabilization Account (the “Stabilization Account”) 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 Stabilization Account 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 Stabilization Account (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 Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account 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 Stabilization Account 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 Stabilization Account (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 Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account 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 Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account 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 XIII B 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 Stabilization Account 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 Stabilization Account, 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 K-14 school 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.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. 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.

Proposition 19

On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment (“Proposition 19”), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the

scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

California Senate Bill 222

Senate Bill 222 (“SB 222”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by ad valorem tax collections such as 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 shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, 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. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Kindergarten Through Community College Public Education Facilities Bond Act of 2016

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

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

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

Taxpayer Protection and Government Accountability Act Initiative

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as Initiative 1935 and known as the “Taxpayer Protection and Government Accountability Act,” had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

The District cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the District cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the State or the District.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 2, 19, 22, 26, 30, 39, 46, 55 and 98 were each adopted as measure that qualified for the State ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR
THE FISCAL YEAR ENDED JUNE 30, 2023**

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APPENDIX D
COUNTY INVESTMENT POLICY

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Governing Board of the
Lucerne Elementary School District
3351 Country Club Drive
Lucerne, California 95458

OPINION: \$ _____ * Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series B (2024)

Members of the Governing Board:

We have acted as bond counsel to the Lucerne Elementary School District (the “District”) in connection with the issuance by the District of \$ _____ * principal amount of Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series B (2024) (the “Bonds”), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the “Act”), and a resolution adopted by the Governing Board of the District on March 13, 2024 (the “Resolution”). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Lake County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District’s compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds may affect the corporate alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income

* Preliminary, subject to change.

for federal income tax purposes retroactively to the date of issuance of the Bonds. It is also our opinion that the Bonds are “qualified tax-exempt obligations” under section 265(b)(3) of the Code.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. 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.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the LUCERNE ELEMENTARY SCHOOL DISTRICT (the “District”) in connection with the issuance by the District of its \$ _____* Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series B (2024) (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Governing Board of the District on March 13, 2024 (the “Bond Resolution”). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Indenture which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, 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 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” shall mean, initially, Greenlee Disclosure Consulting or any successor Dissemination Agent designed in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Trustee.

“*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, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Raymond James & Associates, Inc., the original underwriter 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 it may be amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. 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 S.E.C. Rule 15c2- 12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2025, with the report for fiscal year 2023-24 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 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the 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 Significant Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(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) The District's 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 prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

- (i) The District's approved budget for the then current fiscal year;
- (ii) Assessed value of taxable property in the District as shown on the most recent equalized assessment role; and
- (iii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year, if the County is no longer participating in the Teeter Plan.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material 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.

(d) 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 Significant Events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) 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;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) The incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant 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 Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” 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 the District determines the event’s occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) 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.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this 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 Significant 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. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

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 Indenture for amendments to the Indenture 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.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

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 Significant 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 Significant 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 Significant 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 Indenture, 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) Article VIII of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. 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 shall 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 Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 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 the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

LUCERNE ELEMENTARY SCHOOL DISTRICT

By _____
Superintendent

ACKNOWLEDGED:

GREENLEE DISCLOSURE CONSULTING, as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Lucerne Elementary School District

Name of Issue: Lucerne Elementary School District (Lake County, California) General Obligation Bonds, Election of 2016, Series B (2024)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

GREENLEE DISCLOSURE CONSULTING, as
Dissemination Agent

By _____
Title _____

cc: Paying Agent

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APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect 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.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC

nominee do not affect 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 or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the 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 Paying Agent and request that copies of notices be provided directly to them.

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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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APPENDIX H
ACCRETED VALUE TABLES

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