PRELIMINARY OFFICIAL STATEMENT DATED____________, 2018

NEW ISSUE -- FULL BOOK-ENTRY **Moody's Rating: "__"**
See "RATING" herein.

In the opinion of Dannis Woliver Kelley, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters" herein.

$40,000,000*

GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT SAN LUIS OBISPO COUNTY, CALIFORNIA ELECTION OF 2016, SERIES A

***Dated*: Date of Delivery** ***Due*: As Shown Inside**

The General Obligation Bonds of School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District, San Luis Obispo County, California, Election of 2016, Series A, in the aggregate principal amount of $40,000,000* (the "Bonds") are being issued by the Paso Robles Joint Unified School District (the "District").

The Bonds are being sold to: (i) repay the 2017 General Obligation Bond Anticipation Notes of School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District, San Luis Obispo County, California (the "Notes"); (ii) repair, acquire, upgrade, equip and construct school classrooms and facilities and expand career technical education; and (iii) pay costs of issuance of the Bonds.

The Bonds are payable from *ad valorem* taxes to be levied within the School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District (the "SFID No. 1") pursuant to the California Constitution and other State law. The Board of Supervisors of San Luis Obispo County (the "County") is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within SFID No 1. (except certain personal property that is taxable at limited rates), for the payment of interest on and principal of the Bonds when due, all as more fully described under the captions "The Bonds" and "Security And Source Of Payment For 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 The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive physical certificates representing their interests in the Bonds. See Appendix E - "Book-Entry-Only System."

The Bonds are issued as current interest bonds. Interest with respect to the Bonds accrues from their date of delivery and is payable on August 1, 2018, and semiannually thereafter on February 1 and August 1 of each year. Principal of the Bonds is payable on the respective maturity dates as set forth on the inside cover page. Payments of such principal and interest will be paid by U.S. Bank National Association, Los Angeles, California, as paying agent, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds.

The Bonds are subject to optional redemption and mandatory redemption prior to maturity, as described herein.

[The District has applied for bond insurance, but there is no guarantee that a commitment to insure the Bonds will be issued, or that the District will obtain such bond insurance if a commitment is issued.]

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval as to their legality by Dannis Woliver Kelley, as Bond Counsel. Certain legal matters also will be passed upon for the District by Dannis Woliver Kelley, Sacramento, California, as Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriter by _________, ____. It is anticipated that the Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The DTC, on or about April 26, 2018.

[Underwriter's Logo]

The date of this Official Statement is __________, 2018.

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* *Preliminary, subject to change*

$40,000,000*
GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT SAN LUIS OBISPO COUNTY, CALIFORNIA ELECTION OF 2016, SERIES A

MATURITY SCHEDULE

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

$_______ – _______% Term Bonds due August 1, 20__ – Yield: _______%; Price: _______; CUSIP†: ________

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter, the District, Bond Counsel, nor Disclosure Counsel is responsible for the selection or correctness of the CUSIP® numbers set forth above

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* *Preliminary, subject to change.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Estimates and Forecasts. When used in this Official Statement and in any 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." 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.

Documents. All summaries of the Paying Agent Agreement or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference such documents, and do not purport to be complete statements of any or all of such provisions. Copies of documents referred to herein and other information concerning the Bonds are available from the Paso Robles Joint Unified School District, 800 Niblick Road, Paso Robles, California 93447, telephone (805) 769-1000. The District may impose a charge for copying, mailing, and handling.

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

Stabilization of and Changes to Offering Prices. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds, at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell Bonds to certain dealers and banks at prices lower than the initial public offering price stated on the inside cover page hereof, and said initial public offering price may be changed from time to time by the Underwriter.

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 or other information contained herein since the date of this Official Statement.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SAN LUIS OBISPO AND MONTEREY COUNTIES
STATE OF CALIFORNIA

DISTRICT BOARD OF TRUSTEES

DISTRICT ADMINISTRATION

Chris Williams, *Superintendent*
[To come when hired], *Chief Business Officer*

BOND COUNSEL & DISCLOSURE COUNSEL

Dannis Woliver Kelley
Sacramento, California

FINANCIAL ADVISOR

Dale Scott & Company Inc.
San Francisco, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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$40,000,000*
GENERAL OBLIGATION BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT SAN LUIS OBISPO COUNTY, CALIFORNIA ELECTION OF 2016, SERIES A

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover page, 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.

This Official Statement, which includes the cover page, the inside cover page, and the attached appendices, sets forth certain information concerning the sale and delivery by the Paso Robles Joint Unified School District (the "District") of the bonds captioned above (the "Bonds"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Paying Agent Agreement (as defined below).

Description of the Bonds

The Bonds will be dated their date of delivery (the "Delivery Date") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will be payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2018, and principal of the Bonds will be paid on the dates as set forth in the Maturity Schedule on the inside cover page of this Official Statement.

Registration

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") 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 "The Bonds – Book-Entry-Only System."

Redemption

The Bonds are subject to optional redemption and mandatory redemption prior to maturity as described herein. See "The Bonds – Redemption."

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* *Preliminary, subject to change.*

The District and SFID No. 1

The District was unified in 1997 with the joining of the Paso Robles Elementary School District and the Paso Robles High School District, and serves an area of approximately 800 square miles located 99% in San Luis Obispo (the "County") and 1% in Monterey Counties, California.

SFID No. 1 is an area located in the County encompassing approximately 83.77% of the District (calculated from Fiscal Year 2017-18 assessed value). SFID No. 1 was specifically created by the District as a separate tax area for purposes of approving and repaying bonds of SFID No. 1.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to the provisions of California Education Code Sections 15140 and 15300 *et seq.* (the "Act"), California Government Code Section 53506 *et seq.*, and Article XIIIA of the Constitution of the state of California (the "State"). The Bonds are authorized to be issued pursuant to a resolution adopted by the Board of Trustees of the District (the "Board") on March 13, 2018, and are issued pursuant to the paying agent agreement dated as of ________, 2018 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association (the "Paying Agent"). See "The Bonds – Authority for Issuance; Purpose."

At an election held on November 8, 2016, the District received authorization under Measure M to issue the bonds of SFID No. 1 in an aggregate principal amount not to exceed $95,000,000 to repair, acquire, upgrade, equip and construct school classrooms and facilities and expand career technical education for the benefit of the area of land located within SFID No. 1 (the "Authorization"). The measure required approval by at least 55% and received an approval vote of approximately 57.5%. The Bonds represent the first series of authorized bonds to be issued under the Authorization and will be issued to finance authorized projects, repay the Notes, and pay costs of issuance.

Security for the Bonds

The Bonds are payable from *ad valorem* taxes to be levied within SFID No. 1 pursuant to the California Constitution and other State law. The Board of Supervisors (the "Board of Supervisors") of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of debt service on the Bonds upon all property within the SFID No. 1 subject to taxation, without limitation of rate or amount (except certain personal property which is taxable at limited rates). Proceeds of the *ad valorem* tax levy will be deposited in the School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District Interest and Sinking Fund (the "Interest and Sinking Fund"), which is maintained by the County Treasurer, and then transferred semiannually to the Paying Agent for payment of debt service on the Bonds. See "Security and Source of Payment for the Bonds."

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including the Bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 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. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Purpose of Issue

The proceeds of the Bonds will be used to (i) repay the Notes; (ii) repair, acquire, upgrade, equip and construct school classrooms and facilities and expand career technical education; and (iii) pay costs of issuance of the Bonds. See “The Bonds – Authority for Issuance, Purpose.”

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Dannis Woliver Kelley, Sacramento, California (“Bond Counsel”). It is anticipated that the Bonds will be available for delivery in New York, New York on or about April 26, 2018.

Legal Matters

Issuance of the Bonds is subject to the approving opinion of Bond Counsel, to be delivered in substantially the form attached hereto as Appendix C. Dannis Woliver Kelley, Sacramento, California, also serves as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by _______________, as Underwriter’s Counsel. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon issuance of the Bonds.

Tax Matters

In the opinion of Dannis Woliver Kelley, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. See “Tax Matters.”

Continuing Disclosure

The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is included in Appendix D.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For limiting factors about this Official Statement, see "General Information About This Official Statement."

Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Paso Robles Joint Unified School District, 800 Niblick Road, Paso Robles, California 93446, (805) 769-1000. 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 entireties 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 the information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance; Purpose

The Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, California Education Code Sections 15140 and 15300 *et seq.* (the "Act"), and Article XIIIA of the Constitution of the State. The Bonds are authorized to be issued pursuant to a resolution adopted by the Board of Trustees of the District (the "Board") on March 13, 2018, and are issued pursuant to the paying agent agreement dated as of ____________, 2018 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association (the "Paying Agent"). See "The Bonds – Authority for Issuance; Purpose."

At an election held on November 8, 2016, the District received authorization under Measure M to issue the bonds of SFID No. 1 in an aggregate principal amount not to exceed $95,000,000 to repair, acquire, upgrade, equip and construct school classrooms and facilities and expand career technical education for the benefit of the area of land located within SFID No. 1 (the "Authorization"). The measure required approval by at least 55% and received an approval vote of approximately 57.5%. The Bonds represent the first series of authorized bonds to be issued under the Authorization.

Proceeds of the Bonds will be applied to (i) repay the Notes; (ii) repair, acquire, upgrade, equip and construct school classrooms and facilities and expand career technical education; and (iii) pay costs of issuance of the Bonds.

Description of the Bonds

The Bonds will be executed in an aggregate principal amount of $40,000,000*. The Bonds will be dated their date of delivery, and will be issued in fully registered form without coupons, in the denomination of $5,000, or any integral multiple of $5,000. The Bonds will mature as provided on the inside cover hereof, and will bear interest at the rates (calculated on the basis of a 360-day year composed of twelve 30-day months), as shown on the inside cover page hereof.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds.

So long as the Bonds are registered in the name of DTC, or its nominee, all payments of principal and interest on the Bonds will be paid to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See Appendix E – "Book-Entry-Only System."

If the Bonds are no longer registered in book-entry form, payment of interest on any Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such Owner on the Interest Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. "Record Date" means the fifteenth day of the month immediately preceding the Interest Payment Date. The principal payable on the Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest and principal on the Bonds shall be payable in lawful money of the United States of America.

Payment of Principal and Interest

The Bonds are issued as current interest bonds as set forth herein on the inside front cover. Interest on the Bonds accrues from their date of delivery at the rates set forth on the inside cover of the Official Statement, and interest is payable on August 1, 2018, and semiannually thereafter on February 1 and August 1 of each year. The Bonds mature on August 1 in the years and amounts set forth herein. See "Maturity Schedule" on the inside cover. Interest accruing on the Bonds will be computed using a year of 360 days consisting of twelve, 30-day months.

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* *Preliminary, subject to change*

Security

Obligation to Levy Taxes for Payment of Bonds. The Board of Supervisors and officers of the County are obligated by statute to provide for the levy and collection of property taxes in SFID No. 1 each year in an amount sufficient to pay the principal and interest coming due on the Bonds in such year, and to pay from such taxes all amounts due on the Bonds. The District will take all steps required by law and by the County to ensure that the Board of Supervisors annually levy taxes sufficient to pay debt service on the Bonds as it comes due. For further information regarding *ad valorem* property taxation in general and within SFID No. 1 in particular, see "Security and Source of Payment for the Bonds."

Payment of Principal and Interest. At least one business day prior to the date any payment is due in respect of the Bonds, the District will cause the Treasurer to transfer from the respective Interest and Sinking Fund to the Paying Agent for deposit in the School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District Debt Service Fund (the "Debt Service Fund") to be held by the Paying Agent an amount sufficient to pay its corresponding portion of principal of and the interest (and premium, if any) to become due on all Bonds outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed.

Book-Entry-Only System

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC, and will be available to the Beneficial Owners of the Bonds in the denominations set forth on the inside cover page 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 Appendix E – "Book-Entry-Only System." If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered as described under the caption "Registration, Transfer and Exchange of Bonds."

Paying Agent

U.S. Bank National Association, Los Angeles, California, will act as the registrar, transfer agent and paying agent for the Bonds. 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 covered by such notice.

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

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 20__, shall not be subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the District and by lot within a maturity), on or after August 1, 20__, at a redemption price equal to the principal amount of Bonds called for redemption plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing by their terms on August 1, 20__ (the "Term Bonds"), are subject to mandatory redemption prior to maturity in part, by lot, from Mandatory Redemption Payments on August 1 of each year, in accordance with the schedules set forth below. The Term Bonds so called for mandatory redemption shall be redeemed at the principal amount thereof, together with interest thereon accrued to the redemption date, without premium, but which amounts will be proportionately reduced by the principal amount of such Term Bonds optionally redeemed.

Term Bond

Mandatory Redemption Dates (August 1)	**Mandatory Redemption Payment**

** Final maturity*

Selection of Bonds to Be Redeemed

If less than all the Bonds are to be redeemed, not more than sixty (60) days prior to the redemption date, the Paying Agent shall select the particular Bonds to be redeemed from the Bonds that have not previously been called for redemption, in minimum amounts of $5,000, at the direction of the District; and if no such direction has been provided, in inverse order and within a maturity that the Paying Agent in its sole discretion shall deem appropriate and fair. The Paying Agent shall promptly notify the District in writing of the Bonds so selected for redemption, and in the case of a Bond selected for partial redemption, the principal amount thereof to be redeemed.

Notice of Redemption

The Paying Agent shall mail, or distribute by electronic means, the notice of redemption not fewer than thirty (30) nor more than sixty (60) days prior to the redemption date by first-class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register. If the Bonds are not registered solely to a securities depository, the Paying Agent shall also give notice of redemption of Bonds to the securities depositories and the information service (at the same time it mails notice of redemption to the Owners) by registered or overnight mail.

Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) if less than all of the Bonds of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity to be redeemed; (vii) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the Paying Agent's Office, or at such other place or places designated by the Paying Agent; (x) a statement that on the redemption date there will become due and payable the redemption price of the Bond (or the specified portion of the principal amount if Bonds are redeemed in part only), together with interest accrued thereon to the redemption date; (xi) notice that further interest on such Bonds will not accrue after the designated redemption date; and (xii) such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds.

Neither the District nor the Paying Agent will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the District nor the Paying Agent are liable for any inaccuracy in these numbers.

Failure by the Paying Agent to give notice to the information service or securities depositories or failure of any Owner to receive notice or any defect in any such notice will not affect the sufficiency of the redemption proceedings. Failure by the Paying Agent to mail notice to any of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the redemption proceedings with respect to the Owner or Owners to whom the notice was mailed.

When notice of redemption is given as provided in the Paying Agent Agreement, and moneys for payment of the redemption price of the Bonds are held by the Paying Agent, on the redemption date designated in such notice (i) the Bonds will become due and payable at the redemption price specified in the notice of redemption, (ii) interest on the Bonds will cease to accrue, (iii) the Bonds will cease to be entitled to any benefit or security under the respective Paying Agent Agreement, and (iv) the Owners of such Bonds will have no rights except to receive payment of the redemption price. Upon surrender of any Bond for redemption in accordance with the notice of redemption, the Bond will be paid by Paying Agent at the redemption price. Installments of interest due on or prior to the redemption date will be payable to the Owners of the Bonds on the relevant Record Dates according to the terms of the Bonds and as provided in the Paying Agent Agreement.

Right to Rescind Notice

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds called for redemption. The District may make any redemption conditional upon the availability of money for payment of the redemption price on the redemption date designated in the notice. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption monies are not available in the Redemption 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 notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission is not 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.

Registration, Transfer, and Exchange of Bonds

The Paying Agent will keep or cause to be kept, at the Paying Agent's Office, a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent shall provide for the registration and transfer of Bonds. The Bond Register shall at all times be open to inspection during normal business hours by the District.

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

Upon surrender of a Bond for transfer at the Paying Agent's Office, the District shall execute and, if required, the Paying Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds of any Series may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, and maturity, upon surrender of the Bonds for exchange at the Paying Agent's Office. Upon surrender of Bonds for exchange, the District shall execute and, if required, the Paying Agent shall authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Paying Agent Agreement shall be promptly cancelled by the Paying Agent and thereafter disposed of as provided for in the Paying Agent Agreement.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the District, evidencing the same debt, and entitled to the same security and benefits under this Paying Agent Agreement, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be accompanied by a written instrument of transfer, in a form approved by the Paying Agent, which is duly executed by the Owner or by his attorney duly authorized in writing.

All fees and costs of any transfer or exchange of Bonds shall be paid by the Bondholder requesting such transfer or exchange.

The Paying Agent shall not be required to transfer or exchange (a) Bonds of any Series during the period from the close of business on the Record Date next preceding any Interest Payment Date to and including such Interest Payment Date; or (b) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

Defeasance of Bonds

Any of all of the Bonds may be paid by the District in any of the following way: (a) by paying or causing to be paid the principal of and interest on any or all of the bonds outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Paying Agent Agreement) to pay or redeem any or all Bonds outstanding; or(c) by delivering to the Paying Agent, for cancellation by it, any or all bonds then outstanding of the Series.

If the District pays all the Bonds which are outstanding and also pays or causes to be paid all other sums payable by the District, then the pledge of assets made pursuant to the Paying Agent Agreement, all covenants and agreements and other obligations of the District and the County under the Paying Agent Agreement, and the rights and interests created thereby (except as to any surviving rights of transfer or exchange of bonds are provided in the Paying Agent Agreement and rights to payments from moneys deposited with the Paying Agent as provided in the Paying Agent Agreement) shall cease, terminate, become void, and be completely discharged and satisfied. Notwithstanding the satisfaction and discharge of the Paying Agent Agreement, the obligations to the Paying Agent and the covenants of the County and the District to preserve the exclusion of interest on the bonds from gross income for federal income tax purposes shall survive.

BOND INSURANCE

The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds, and if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds	Amount
Principal Amount	
Original Issue Premium/Discount	
Total Sources	
Uses of Funds	
Deposit to Building Account	
Repayment of Notes	
Underwriter's Discount	
Costs of Issuance [1]	
Total Uses	

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(1) Includes fees of Bond Counsel, Disclosure Counsel, Paying Agent, Financial Advisor, rating agencies fees, printing fees, bond insurance premium, if any, and other miscellaneous expenses.

BONDS DEBT SERVICE SCHEDULE

The following schedule shows the annual debt service schedule for the Bonds, assuming that no optional redemptions are made.

Year Ending August 1	Annual Principal	Annual Interest Payment	Total Debt Service
TOTAL:			

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The County Auditor shall establish, maintain and hold in trust a separate fund designated as the "School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District Building Fund" (the "Building Fund"). The County Auditor shall establish and maintain in the Building Fund at the request of the County Office of Education a separate account designated as the "SFID No. 1 Series A Building Account" for the purpose of tracking the expenditure of Bond proceeds. The moneys in the Building Fund shall be used and withdrawn by the District to pay the cost of acquisition, construction, and completion of the improvements set forth in the measure approved by the electors of SFID No. 1, including all necessary legal, financial, engineering, and contingent costs in connection therewith.

Interest and Sinking Fund

The *ad valorem* property taxes levied and collected by the County for the payment of the Bonds shall be kept separate and apart in the School Facilities Improvement District No.1 of the Paso Robles Joint Unified School District Interest and Sinking Fund (the "Interest and Sinking Fund") and be used only for the payment of principal and interest on the Bonds. Interest earnings on the investment of monies held in the Interest and Sinking Fund shall be retained in said fund and used by the County to pay principal of and interest on the Bonds when due.

Costs of Issuance Account

The Paying Agent shall establish and maintain, and hold in trust a separate account designated as the "School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District Series A Costs of Issuance Account" (the "Costs of Issuance Account"). The monies in the Costs of Issuance Account shall be used and withdrawn by the District for the payment of costs of issuance for the Bonds. Upon final payment of all costs of issuance, any remaining proceeds in the Costs of Issuance Account shall be transferred by the Paying Agent, upon receipt of written instruction from the District, to the SFID No. 1 Series A Building Account in the Building Fund.

Debt Service Fund

The Paying Agent shall establish a fund to be designated as the "School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District Debt Service Fund" (the "Debt Service Fund"). The Paying Agent shall keep such fund separate and distinct from all other District funds. At the direction of the District, at least one business day prior to the date any payment is due in respect of the Bonds, the County Treasurer shall wire transfer from the Interest and Sinking Fund to the Paying Agent for deposit into the Debt Service Fund the amounts due. The Debt Service Fund shall be used only for the payment of principal and interest on the Bonds when and as same fall due.

BAN Repayment Fund

The Paying Agent shall establish a special fund designated as the "BAN Repayment Fund" (the "BAN Repayment Fund"). The amounts in the BAN Repayment Fund shall be held by the Payment Agent and applied to the payment of the District's outstanding Notes on April 27, 2018, or such other date as directed by the District. The Paying Agent shall hold such funds uninvested in cash pending the use of moneys held in the BAN Repayment Fund. Any amounts remaining in the BAN Repayment Fund one (1) month following the closing date shall be transferred to the Debt Service Fund.

Permitted Investments

All moneys in any of the funds and accounts established pursuant to the Paying Agent Agreement shall be invested in Investment Securities (as defined in the Paying Agent Agreement). The District has requested that the County Auditor-Controller establish funds and accounts into which the County Treasurer shall deposit the proceeds from the sale of the Bonds. The County Treasurer shall invest the proceeds from the sale of the Bonds in such investments, consistent with the investment policies of the County Treasurer, as authorized by Section 53601 *et seq*. of the California Government Code.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The information in this section concerning certain provisions of Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98, 111, 1A, and 218, and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. The tax for the Bonds was approved in conformity with all applicable constitutional and statutory limitations. For specific financial information on the District, see "District Financial Information" herein.

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. Article XIIIA of the State Constitution limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by two-thirds of the voters on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness approved by 55% of the voters of a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities, the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. The California Government Code provides that additional *ad valorem* taxes may be levied to pay debt service on bonds issued to refund voter-approved general obligation bonds.

Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA permits reduction of the full cash value base in the event of a decline in property value caused by damage, destruction, or other factors. The full cash value base is not increased upon reconstruction of property damaged or destroyed in a disaster, if the fair market value of the property as reconstructed is comparable to its fair market value before the disaster. If the full cash value has been reduced owing to a decline in market value, the full cash value is restored to the full cash value base as quickly as the market price increases (without regard to the 2% limit on increases that otherwise applies).

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

<u>Legislation Implementing Article XIIIA</u>. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation

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

Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Unitary Property

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

Article XIIIB of the California Constitution

Under Article XIIIB of the California Constitution, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys that are excluded from the definition of "appropriations subject to limitation," such as appropriations for voter approved debt service, appropriations required to comply with certain mandates of the courts or the federal government, and appropriations for qualified capital outlay projects (as defined by the Legislature).

The appropriations limit for each agency in each year is based on the agency's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted where applicable for transfer to or from another governmental entity of financial responsibility for providing services. With respect to school districts, "change in cost of living" is defined as the change in percentage change in California per capita income from the preceding year and "change in population" means the percentage change in average daily attendance for the preceding year.

The appropriations limit is tested over consecutive two year periods. Any excess of the aggregate "proceeds of taxes" received by an agency over such two year period above the combined appropriations limit for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Under current statutory law, a school district that receives any proceeds of taxes in excess of the allowable limit need only notify the State Director of Finance and such district's appropriations limit is increased and the State's limit is correspondingly decreased by the amount of the excess.

Article XIIIC and Article XIIID of the California Constitution

Articles XIIIC and XIIID of the California Constitution, adopted by Proposition 218 in November 1996, impose certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of *ad valorem* property taxes levied and collected by the County under Article XIIIA of the California

Constitution and allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The District's general obligation bonds represent a contract between the District and the bondholder secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the District issues general obligation bonds, the taxes needed to pay debt service on the bonds issued would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

The interpretation and application of Proposition 218 and the U.S. Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Propositions 98 and 111

Proposition 98, a constitutional and statutory amendment adopted by California voters in 1988 and amended by Proposition 111 in 1990, guarantees a minimum level of funding for public education from kindergarten through community college (K-14).

Proposition 98 guarantees a level of funding based on the greater of two amounts determined under three different methods of calculation. The first amount is based on a percentage of State general fund revenues. This amount is defined under "Test 1" as the amount produced by applying the same percentage of State general fund revenues appropriated to K-14 education in 1986-87, or about 40.7%. (This percentage has been adjusted to approximately 41.2% to account for subsequent redirection of local property taxes, since such property tax shifts affect the share of districts' revenue limits that are to be provided by State general fund revenues.) The second amount is determined under one of two methods, "Test 2" or "Test 3," the choice of which is determined based on the relative growth of per capita income and general fund revenues.

In years of high or normal growth of general fund revenues, Test 2 applies. Test 2 is designed to maintain prior-year service levels. The amount determined under Test 2 is the amount required to ensure that K-14 schools receive from State funds and local tax revenues the same amount received in the prior year, adjusted for changes in enrollment and for increases in per capita personal income. Test 3 is operative in years in which general fund revenue growth per capita is more than 0.5% below growth in per capita personal income. The amount determined under Test 3 is the prior-year total level of funding from state and local sources, adjusted for enrollment growth and for growth in general fund revenues per capita, plus 0.5% of the prior year level. If Test 3 is used in any year, the difference between the amount determined under Test 3 and Test 2 will become a credit (called the "maintenance factor") to be paid to K-14 schools in future years when State general fund growth exceeds personal income growth.

The State's estimate of the total guaranteed amount varies through the stages of the annual budgeting process, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as various factors change. The guaranteed amount will increase as enrollment and per capita personal income grow. If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State general fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

Proposition 2, approved at the November 4, 2014, statewide election, among other things, revises the operation of Proposition 98 in some years. The measure creates a new State budget stabilization fund known as the "Public School System Stabilization Account." In years where capital gains tax revenues exceed 8% of total General Fund revenues, if a number of conditions are satisfied (including that Test 1 is operative, all maintenance factor obligations have been satisfied, and the Proposition 98 funding level is higher than the previous year), that part of the "excess" capital gains tax revenues accruing to the Proposition 98 guarantee, instead of being appropriated, would be deposited in the Public School System Stabilization Account, provided that the amount spent on schools and community colleges grows along with the number of students and the cost of living. The State would spend money out of the reserve in order to maintain spending on schools and community colleges in budgetary years in which such spending would otherwise decline from the prior year's level (adjusted for student population and cost of living). Proposition 2 thus changes when the State would otherwise be required to spend money on schools and community colleges but not the total amount of State spending for schools and community colleges over the long run.

Proposition 39

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

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

Proposition 30

Guaranteed Local Public Safety Funding Initiative Constitutional Amendment approved by voters on November 6, 2012 ("Proposition 30") temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax is levied at a rate of 0.25% of the sales price of the property so purchased.

Beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 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 these temporary tax increases has been included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Propositions 98 and 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State created

Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding; however, no school district will receive less than $200 per unit of A.D.A. 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 was granted sole authority for determining how the moneys received from the EPA are spent, provided the appropriate governing board made these spending determinations in open session at a public meeting and such local governing boards did not use any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 51

The California Public School Facility Bonds Initiative ("Proposition 51") was approved by the voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds to fund the construction and modernization of facilities for both K-12 schools and community colleges. The revenues from the sale of the bonds will be allocated as follows:

- $3 billion for construction of new K-12 school district facilities.
- $3 billion for the modernization of K-12 public school sites, which includes repairing outdated facilities to increase earthquake and fire safety, removing asbestos, upgrading technology, and other health and safety improvements.
- $500 million for charter school facilities.
- $500 million for career technical education facilities.
- $2 billion for the construction and modernization of community college facilities.

The impact that Proposition 51 will have on school districts is unclear. Some school districts may increase the number of facility projects and spend more local funds, knowing that additional state funding could be available. Other school districts may spend less local funds due to the greater support of state funding. It is also possible that the number of school district proposals for construction and modernization projects will not change.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution and Propositions 98, 111, 22, 218, 30, and 39 (discussed above) were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted, further affecting the District's revenues or the District's ability to expend revenues. The nature and impact of these measures cannot by anticipated by the District.

SFID NO. 1

General Description

The Bonds are being issued by the District for the benefit of SFID No. 1. SFID No. 1 was established by the District pursuant to the Act.

The Board of Supervisors of San Luis Obispo County approved the use of the Act for all public school districts in the County on July 1, 1997. The Board of Supervisors of the County of Monterey approved the use of the Act for all public school districts in said county on July 1,

1997. The Board of Trustees of the District, at its meeting on January 13, 1998, approved a Resolution of Intention to establish SFID No. 1 and called a public hearing on the matter. Following the conclusion of a public hearing conducted by the District on January 13, 1998, SFID No. 1was established by the Board of Trustees of the District.

The Board of Trustees ordered an election of the registered voters residing in the territory of SFID No. 1 which was held on November 8, 2016. At this election, 57.5% of the voters voting on the measure ("Measure M") approved the issuance of not to exceed $95,000,000 principal amount of general obligation bonds for SFID No. 1.

Location and Territory

SFID No. 1 is located in the District. See "Appendix A – Map of SFID No. 1" herein. The area of SFID No. 1 is about 195,394 acres representing 83.77% of the District. SFID No. 1, contains approximately 11,756 single family residential parcels.

Governing Board

The Board of Trustees of the District services as the governing board of SFID No. 1. See "The District – Administration" herein.

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 SFID No. 1. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in SFID. The District's general fund is not a source for repayment of the Bonds, and the Bonds are not a debt of the County.

Payment of Principal and Interest

At least one business day prior to the date any payment is due in respect of the Bonds, the District will cause the County Treasurer to transfer from the Interest and Sinking Fund to the Paying Agent for deposit in the Debt Service Fund an amount sufficient to pay the principal of and the interest (and premium, if any) to become due on all Bonds outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed. The Paying Agent hereby acknowledges that pursuant to the general laws of the State of California, the obligation to levy and collect taxes for the payment of the Bonds, and to pay from such taxes the principal of and interest on the Bonds when due, are legal obligations of the County and shall be performed by the Auditor.

***Ad Valorem* Taxes**

The Board of Supervisor is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Bonds, upon all property subject to taxation in SFID No. 1 (except certain personal property that is taxable at limited rates). Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the Treasurer in the Interest and Sinking Fund, which is segregated and maintained by the Treasurer and used for the payment of the Bonds. Moneys in the Interest and Sinking Fund will be invested in accordance with the County's investment policies. See Appendix F – "County of San Luis Obispo Investment Pool Quarterly Report" herein. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will maintain an Interest and Sinking Fund for the repayment of the Bonds, the Bonds are not a debt of the County.

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 SFID No. 1 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 SFID No. 1 may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the SFID No. 1 by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the SFID No. 1 and necessitate an unanticipated increase in the annual tax levy.

Property Tax Collection Procedures

Approximately 1% of the District is located in the County of Monterey, and the remainder is located in the County. Taxes are levied by the County and the County of Monterey for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the respective county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted if not paid by June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five (5) years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January lien date and become delinquent if unpaid by August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (i) bringing a civil action against the taxpayer; (ii) filing a certificate in the office of the applicable county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the applicable county clerk and county recorder's office in order to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations of Property within SFID No. 1

The assessed valuation of property in SFID No. 1 is established by the County Assessor except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported as 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the "full value" of property. For a discussion on how properties currently are assessed, see "Constitutional and Statutory Provisions Affecting District Revenues and Appropriations."

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

Property within SFID No. 1 had a taxable assessed valuation for fiscal year 2017-18 of $7,395,144,992. Shown in the following table is a 5-year history of the assessed valuations for the District.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Assessed Valuation
Fiscal Year 2013-14 through Fiscal Year 2017-18

San Luis Obispo County Portion

	Local Secured	Utility	Unsecured	Total
2013-14	$6,723,192,619	$359,826	$257,132,420	$6,980,684,865
2014-15	7,179,671,688	359,826	276,321,441	7,456,352,955
2015-16	7,593,128,202	359,826	285,893,577	7,879,381,605
2016-17	6,745,710,886	162,543	274,386,449	7,020,259,878
2017-18	7,137,019,449	155,313	257,970,230	7,395,144,992

As a unified school district, the District may issue bonds in an amount up to 2.5% of assessed value. Based on the fiscal year 2017-18 assessment roll, SFID No. 1's gross bonding capacity is $184,878,624.80 and its net bond capacity is $167,365,474.14 prior to the issuance of the Bonds. Bonds, including the Bonds, may be issued without regard to this limitation, however, once issued, the outstanding principal of any Bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Land Use

The land use of property in SFID No. 1 as of fiscal year 2017-18 is shown below, as measured by assessed valuation and parcels.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Assessed Valuation and Parcels by Land Use
Fiscal Year 2017-18

Non-Residential:	2017-18 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural/Vineyards	$373,938,122	5.24%	203	1.14%
Commercial	727,181,174	10.19	708	3.98
Vacant Commercial	98,066,936	1.37	295	1.66
Industrial/Winery	207,271,639	2.90	188	1.06
Recreational	106,713,187	1.50	435	2.45
Government/Social/Institutional	12,855,700	0.18	379	2.13
Miscellaneous	2,925,468	0.04	145	0.82
Subtotal Non-Residential	$1,528,952,226	21.42%	2,353	13.24%
Residential:				
Single Family Residence	$4,633,850,407	64.93%	11,756	66.15%
Condominium/Townhouse	82,583,635	1.16	513	2.89
Mobile Home	197,761,614	2.77	785	4.42
Mobile Home Park	17,992,403	0.25	6	0.03
2-4 Residential Units	147,215,532	2.06	225	1.27
5+ Residential Units/Apartments	99,203,080	1.39	69	0.39
Miscellaneous Residential	623,720	0.01	5	0.03
Vacant Residential	428,836,832	6.01	2,060	11.59
Subtotal Residential	$5,608,067,223	78.58%	15,419	86.76%
Total	$7,137,019,449	100.00%	17,772	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction

The following table shows the 2017-18 assessed valuation of property in SFID No. 1 by jurisdiction.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Assessed Valuation by Jurisdiction[1]
Fiscal Year 2017-18

Jurisdiction:	Assessed Valuation in SFID	% of SFID	Assessed Valuation of Jurisdiction	% of Jurisdiction in SFID
City of Paso Robles	$4,591,124,260	62.08%	$4,673,204,044	98.24%
Unincorporated San Luis Obispo County	2,804,020,732	37.92	23,990,194,773	11.69
Total District	$7,395,144,992	100.00%		
San Luis Obispo County	$7,395,144,992	100.00%	$50,731,544,227	14.58%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes

Set forth in the following table is the per parcel assessed valuation of single family homes in SFID No. 1 for fiscal year 2017-18.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2017-18

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,756	$4,633,850,407	$394,169	$347,436

2015-16 Assessed Valuation	No. of Parcels(1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	200	1.701%	1.701%	$ 6,669,320	0.144%	0.144%
$50,000 - $99,999	321	2.731	4.432	24,374,346	0.526	0.670
$100,000 - $149,999	651	5.538	9.969	83,416,511	1.800	2.470
$150,000 - $199,999	1,031	8.770	18.739	180,397,766	3.893	6.363
$200,000 - $249,999	1,318	11.211	29.951	296,862,575	6.406	12.770
$250,000 - $299,999	1,202	10.225	40.175	329,076,113	7.102	19.871
$300,000 - $349,999	1,208	10.276	50.451	392,878,846	8.478	28.350
$350,000 - $399,999	1,252	10.650	61.101	468,061,414	10.101	38.450
$400,000 - $449,999	1,241	10.556	71.657	526,764,139	11.368	49.818
$450,000 - $499,999	898	7.639	79.296	425,726,902	9.187	59.006
$500,000 - $549,999	668	5.682	84.978	349,468,971	7.542	66.547
$550,000 - $599,999	491	4.177	89.154	280,949,099	6.063	72.610
$600,000 - $649,999	320	2.722	91.876	199,218,775	4.299	76.909
$650,000 - $699,999	165	1.404	93.280	111,040,211	2.396	79.306
$700,000 - $749,999	135	1.148	94.426	97,358,458	2.101	81.407
$750,000 - $799,999	81	0.689	95.117	62,762,755	1.354	82.761
$800,000 - $849,999	74	0.629	95.747	60,927,330	1.315	84.076
$850,000 - $899,999	61	0.519	96.266	53,161,632	1.147	85.223
$900,000 - $949,999	51	0.434	96.700	47,169,737	1.018	86.241
$950,000 - $999,999	41	0.349	97.048	39,711,319	0.857	87.098
$1,000,000 and greater	347	2.952	100.000	597,854,188	12.902	100.000
Total	11,756	100.000%		$4,633,850,407	100.000%	

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

Appeals and Adjustments of Assessed Valuations

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

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

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

Alternative Method of Tax Apportionment - "Teeter Plan"

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code.

Under the Teeter Plan, each participating local agency levying property taxes, including school districts, is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that otherwise would have been due the local agency. Taxes to pay the District's Bonds are included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the orders its discontinuance or unless, prior to the commencement of the County's fiscal year, the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The County has never received a petition from any governing board to discontinue the Teeter Plan with respect to agencies in the County. The Board of Supervisors may, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collection of the *ad valorem* property taxes and the delinquency rates experienced with respect to the parcels within the District.

Tax Levies and Delinquencies

The following table shows the secured tax charges and delinquencies for the District (the County portion only since 99% of the District is located within the County) for fiscal years 2010-11 through 2016-17 without regard to the Teeter Plan.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies – San Luis Obispo County Portion
Fiscal Years 2010-11 through 2016-17

	Secured Tax Charge(1)	Amount Delinquent June 30	% Delinquent June 30
2010-11	$763,430.18	$30,358.25	3.98%
2011-12	754,462.14	21,784.55	2.89
2012-13	754,634.42	15,711.76	2.08
2013-14	793,537.28	13,490.54	1.70
2014-15	858,084.96	12,390.33	1.44
2015-16	858,591.31	10,712.35	1.19
2016-17	951,451.97	11,812.53	1.24

	Secured Tax Charge(2)	Amount Delinquent June 30	% Delinquent June 30
2010-11	$26,904,417.62	$762,658.77	2.83%
2011-12	26,446,329.24	509,980.71	1.93
2012-13	26,653,347.59	384,131.01	1.44
2013-14	28,113,407.43	335,814.78	1.19
2014-15	30,196,104.09	337,795.32	1.12
2015-16	31,701,317.67	299,509.15	0.94
2016-17	33,507,744.99	315,168.71	0.94

(1) District's general obligation bond debt service levy.
(2) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

District Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 2-000, within SFID No. 1. The 2017-18 Assessed Valuation of TRA 2-000 is $1,500,614,578, which is 20.29% of the total assessed valuation of SFID No. 1. See "Security and Source of Payment for the Bonds – *Ad Valorem* Taxes" for further information on establishing tax rates.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Typical Total Tax Rates per $100 Assessed Valuation
San Luis Obispo County Portion - TRA 2-000(1)
Fiscal Year 2011-12 through Fiscal Year 2017-18

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
General	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
City of Paso Robles	.06970	.06960	.06960	.06630	.06430	.05160	.05160
Paso Robles Joint Unified School District	.01190	.01190	.01190	.01190	.01190	.01190	.01190
San Luis Obispo Community College District	.00000	.00000	.00000	.00000	.01925	.01925	.01925
State Water Project	.00300	.00400	.00400	.00400	.00374	.00400	.00400
Total All Property Tax Rate	1.08460	1.08550	1.08550	1.08220	1.09919	1.08675	1.08675

(1) *2017-18 Assessed Valuation of Tax Rate Area: $1,500,614,578*
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the twenty (20) largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2017-18.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Largest Local Secured Taxpayers
Fiscal Year 2017-18

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total(1)
1.	Treasury Wine Estates Americas Co.	Winery/Vineyards	$ 75,849,424	1.06%
2.	Firestone Walker LLC	Brewery	69,100,450	0.97
3.	Ayres – Paso Robles LP	Hotel/Resort	40,128,862	0.56
4.	Justin Vineyards & Winery LLC	Winery/Vineyards	37,816,945	0.53
5.	Nine Wine Estates LLC	Winery/Vineyards	36,050,824	0.51
6.	Halter Real Estate LLC	Winery/Vineyards	32,928,789	0.46
7.	Paso Golden Hill LLC	Shopping Center	31,146,039	0.44
8.	Estate Vineyards LLC	Winery/Vineyards	29,363,720	0.41
9.	Vina Robles Inc.	Winery/Vineyards	25,421,859	0.36
10.	Indeck-Paso Robles LLC	Vineyards	22,757,443	0.32
11.	Dry Creek Apartments LP	Apartments	22,507,087	0.32
12.	J. Lohr Winery Corporation	Winery/Vineyards	20,805,069	0.29
13.	Law Family Vineyards LP	Winery/Vineyards	19,371,052	0.27
14.	Arciero & Sons Inc.	Hotel	19,343,639	0.27
15.	Erich Russell	Winery/Vineyards	19,205,547	0.27
16.	John Stephenson, Trustee	Industrial	19,018,896	0.27
17.	Franciscan Vineyards Inc.	Winery/Vineyards	18,818,356	0.26
18.	Paso Robles Vineyards Inc.	Vineyards	16,910,590	0.24
19.	Sunshine Agriculture Incorporated	Vineyards	16,784,356	0.24
20.	Century Park LLC	Industrial	15,750,000	0.22
			$589,078,947	8.25%

(1) *2017-18 Local Secured Assessed Valuation: $7,137,019,449*
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated February 9, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of SFID No. 1 in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within SFID No. 1. 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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1
Statement of Direct and Overlapping Bonded Debt
Dated as of February 9, 2018

2017-18 Assessed Valuation: $7,395,144,992

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 03/01/2018	
San Luis Obispo Community College District	14.520%	$19,228,110	
Paso Robles Joint Unified School District	83.774	14,513,844	
Paso Robles Joint Unified School District SFID No. 1	**100.000**	**3,000,000**	(1)
City of Paso Robles	98.244	20,140,499	
San Luis Obispo County Waterworks District No. 1 1915 Act Bonds	100.000	402,044	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$57,284,497	
OVERLAPPING GENERAL FUND DEBT:			
San Luis Obispo County Certificates of Participation	14.577%	$ 3,515,972	
San Luis Obispo County Pension Obligations	14.577	12,647,646	
City of Paso Robles Certificates of Participation	98.244	1,362,290	
TOTAL OVERLAPPING GENERAL FUND DEBT		$17,525,908	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)		$12,245,000	
COMBINED TOTAL DEBT:		$87,055,405	(2)

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

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($3,000,000)... 0.04%
Total Direct and Overlapping Tax and Assessment Debt............ 0.77%
Combined Total Debt 1.18%

Ratio to Redevelopment Incremental Assessed Valuation ($552,270,960):
Total Overlapping Tax Increment Debt....................................... 2.22%

Source: California Municipal Statistics, Inc.

THE DISTRICT

General Information

The District was unified in 1997 with the joining of the Paso Robles Elementary School District and the Paso Robles High School District, and serves an area of approximately 800 square miles located 99% in San Luis Obispo and 1% in Monterey Counties, California. The District operates 6 elementary schools, 2 middle schools, 1 high school, 1 continuation high school, 1 community school, and an independent study center. The District has approximately 687.79 full time equivalent employees. Enrollment in the District for the 2016-17 school year was 6,797 students, and is approximately 6,940 students in 2017-18.

County Office of Education

In each county there is a county superintendent of schools (the "County Superintendent") and a county board of education. The Office of the County Superintendent, frequently known as the County Office of Education (the "County Office") in each county provides the staff and organization that carries out the activities and policies of the respective County Superintendent and county board of education for that county.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and each district must provide its County Office with scheduled interim reports throughout the fiscal year. County Offices also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

The District is under the jurisdiction of, and is served by, the County Office for San Luis Obispo County.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions on the Board are held every two years, alternating between three and four contestable positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

Name	Office	Term Expires
Joan Summers	President	2020
Joel Peterson	Clerk	2020
Chris Bausch	Trustee	2020
Tim Gearhart	Trustee	2018
Field Gibson	Trustee	2018
Dr. Kathleen Hall	Trustee	2018
Matt McClish	Trustee	2020

The administrative staff of the District includes Chris Williams, Superintendent, and [to come when hired], Chief Business Officer.

Superintendent. Mr. Williams served as a high school Assistant Principal and Principal of a middle school in the Central Unified School District before being appointed as the Assistant Superintendent of Human Resources for the District in 2006. Mr. Williams earned a BA degree from California State University, Fresno and an MA degree in Education from National University. He was named as Fresno County Administrator of the Year in 2004.

Chief Business Officer. [to come when hired]

Average Daily Attendance

The following table shows the District's enrollment and ADA each year from 2012-13 through 2016-17.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Enrollment and Average Daily Attendance
Fiscal Years 2012-13 to 2016-17

Fiscal Year	Enrollment	Average Daily Attendance
2012-13	6,601	6,238.62
2013-14	6,533	6,222.02
2014-15	6,555	6,250.21
2015-16	6,672	6,331.33
2016-17	6,797	6,468.44

Source: Paso Robles Joint Unified School District.

The following table shows a breakdown of the District's fiscal years 2013-14 through 2017-18 (projected) ADA by grade span, total enrollment, and the percentage of students classified as English learners, low-income, or foster youth ("EL/LI").

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
ADA by Grade Span, Total Enrollment, and EL/LI Enrollment
Fiscal Years 2013-14 through 2015-16

	Average Daily Attendance (1) (By Grade Span)					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total District	Total District Enrollment	% EL/LI (2) Enrollment
2013-14	1,835.80	1,383.74	954.33	2,048.15	6,222.02	6,533	55.63%
2014-15	1,851.65	1,371.25	947.07	2,080.24	6,250.21	6,555	52.77%
2015-16	1,886.93	1,399.99	925.46	2,118.95	6,331.33	6,672	53.04%
2016-17	1,898.08	1,423.05	978.36	2,168.95	6,468.44	6,797	51.63%
2017-18(3)	1,878.42	1,433.93	976.43	2,303.85	6,592.63	6,940	52.14%

(1) ADA is determined 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) For fiscal year 2013-14, this percentage is calculated on the basis of enrollment for that year. The percentage calculated for fiscal year 2014-15 is based on the average of 2013-14 and 2014-15 enrollment. Thereafter, the percentage will be calculated on the basis of the average of the current fiscal year and the prior two fiscal years.

(3) Projected.

Source: Paso Robles Joint Unified School District.

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units that then are to be represented by an exclusive bargaining agent. The teachers of the District have selected Paso Robles Public Educators as their bargaining agents. The District's contract with the teachers expires June 30, 2019.

The classified personnel of the District are represented by the California School Employees Association. The District's contract with the classified personnel expires June 30, 2019. The management and confidential employees are not represented by a bargaining unit.

District Retirement Systems

The District participates in the California State Teachers' Retirement System ("STRS") for all full-time and some part-time certificated employees (except for those certificate employees who were previously classified employees and have elected to remain in State of California Public Employees Retirement System (see below)). The State is required to contribute as well. The District's employer contribution to STRS was $1,970,056 for Fiscal Year 2013-14, $2,296,719 for Fiscal Year 2014-15, $3,109,666 for Fiscal Year 2015-16, $3,958,385 for Fiscal Year 2016-17 and is budgeted at $4,574,559 for Fiscal Year 2017-18 (includes total STRS contributions including those paid from sources outside of the general fund) In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the California Public Employees' Retirement System ("CalPERS") for all full-time and some part-time classified employees. For Fiscal Year 2013-14, the contribution percentage was 11.44% of annual payroll, and the contribution amount was

$1,072,967. For Fiscal Year 2014-15, the contribution percentage was 11.77%, and the contribution amount was $1,174,109. For Fiscal Year 2015-16, the contribution percentage was 11.847% and the contribution amount was $1,383,952. For Fiscal Year 2016-17, the contribution percentage was 13.888% of annual payroll, and the contribution amount was $1,713,587. For Fiscal Year 2017-18, the contribution percentage is 15.531% with projected expenses of $2,153,547 (includes total PERS contributions including those paid from sources outside of the general fund). In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California schools.

Assembly Bill 1469 ("AB 1469") was signed into law by the Governor in connection with the State's adoption of the fiscal year 2014-15 budget. AB 1469 addresses the unfunded liabilities of the STRS pension plan by increasing contributions of plan members, employers (including the District), and the State. Pursuant to AB 1469, employer contribution rates to STRS will increase over the next seven years from 8.88% in fiscal year 2014-15 to 19.1% in fiscal year 2020-21, as shown in the following table. After fiscal year 2020-21, employer contribution rates will be determined by the STRS board to reflect the amount of contribution necessary to eliminate unfunded liabilities by June 30, 2046.

AB 1469 STRS EMPLOYER CONTRIBUTION RATES

Fiscal Year	% Increase from FY 2013-14 Rate* Under AB 1469	Total Contribution Rate
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

**Fiscal year 2013-14 rate of 8.25%*

STRS and PERS liabilities are more fully described in Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2017."

State Pensions Trusts

Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. Both PERS and STRS have substantial State unfunded actuarial liabilities, being $57 billion for PERS as of June 30, 2012 (the date of the last actuarial valuation for PERS) and $73.7 billion for STRS as of June 30, 2013 (the date of the last actuarial valuation for STRS).

On September 12, 2012, Governor Brown signed Assembly Bill 340 ("AB 340"), which enacted the California Public Employees' Pension Reform Act of 2013 ("PEPRA") and amended various sections of the California Education and Government Codes. AB 340 increased the retirement age for new State, school, and city and local agency employees depending on job function; capped the annual PERS and STRS pension benefit payouts; addressed numerous abuses of the system; and required State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

AB 340 went into effect on January 1, 2013, with respect to new State, school, and city and local agency employees hired on and after that date. Existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with AB 340 through collective bargaining. The District has negotiated with existing employees to remove lifetime health benefits, impose a hard cap for District benefit expenses (all increases must be covered by the employee) and raised the retirement age to 57 years old with at least 15 years of service (after which the District would be required to pay the same cap as for an active employee until the employee reached 65 years old).

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas reduce retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. PERS further noted that changes resulting from AB 340 could have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, the provisions of AB 1469, as described above, addressed the contribution requirements of STRS members, employers, and the State.

More information about AB 340 can be accessed through the PERS' web site at *www.calpers.ca.gov* and through the STRS' website at *www.calstrs.com.* The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.

GASB Statement Nos. 67 and 68

On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The Statements 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 Statements, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2017, the District's share of the net pension liabilities and deferred inflow and outflow of resources for STRS and PERS follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Deferred Inflow of Resources
STRS	$46,221,373	$10,192,810	$1,127,518
PERS	19,171,151	6,413,879	575,979
Total	$65,392,524	$16,606,689	$1,703,497

Source: Paso Robles Joint Unified School District.

Post-Employment Healthcare Benefits

In addition to the pension benefits described above, the District provides post-retirement healthcare benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. As of June 30, 2017, approximately 85 retirees met these eligibility requirements. Benefits are provided for retirees aged 55 to 65. The District pays up to $850 per month for health benefits of retirees on a pay-as-you-go basis. The District's annual required contribution for Fiscal Year 2016-17 was $21,487,936, and contributions for Fiscal Year 2016-17 made by the District were $1,716,066 (excludes implicit rate subsidy). Interest on the net post-retirement healthcare benefits obligation and adjustments to the annual required contribution were $185,393 and $(184,192), respectively, which resulted in a decrease in the net post-retirement healthcare benefits obligation of $696,959. The unfunded liability as of June 30, 2015 was $18,844,185, and is based on the current participants' remaining coverage periods. The unfunded liability as of June 30, 2016 was $17,338,647, and is based on the current participants' remaining coverage periods. The District has obtained an actuarial study for determining its unfunded liability for all current and future retirees dated July 1, 2016. The District was required to comply with the reporting requirements of Governmental Accounting Standards Board (GASB) 45 in Fiscal Year 2008-09.

Insurance, Risk Pooling, and Joint Powers Arrangements

The District is a member of the Self-Insured Schools of California (SISC II) Joint Powers Authority for property, liability and other coverage, such as auto, boiler and machinery, crime and fidelity, general liability, property, special education voluntary coverage, and tackle football.

In addition SISC III provides the District's healthcare coverage for all employee groups. For Workers' Compensation coverage, the District is a member of Schools Insurance Program for Employees (SIPE) Joint Powers Authority. During the fiscal year ended June 30, 2017, the District made payments of $380,452 to SISC II, $6,516,745 to SISC III and $1,146,360 to SIPE.

District Debt

General Obligation Bonds. As of June 30, 2017, the principal amounts of the District's outstanding general obligation bonds, all payable from *ad valorem* property taxes levied and collected within the District by the County and Monterey County, were as follows:

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds

Issue	Original Principal Amount	Outstanding June 30, 2017	Original Final Maturity
Election of 2006, Series 2007	$11,999,870.85	$2,171,072.00	9/1/2031
Election of 2005, Series 2010A and Series 2010B	8,000,127.00	10,325,797.00	9/1/2045
2016 Refunding Bonds	8,705,000.00	8,480,000.00	9/1/2028

Source: Paso Robles Joint Unified School District.

See "Annual Debt Service" for debt service on the District's Refunded Bonds. The District has never defaulted on the payment of principal or interest on any of its indebtedness.

Short-Term Borrowing. The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District during previous fiscal years have been used to reduce interfund dependency and to provide the District with greater overall efficiency in the management of its funds. Currently, the District has no notes outstanding. The District has never defaulted on any of its short-term borrowings.

Capital Leases. The District currently leases vehicles, facilities and equipment with future lease payments as follows:

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Outstanding Capital Lease Obligations

Year Ending June 30	Lease Payment
2018	$449,687
2019	449,687
2020	130,658
2021	130,658
Total	1,160,690
Less amount representing interest	53,016
Present value of minimum lease payments	$1,107,674

Source: Paso Robles Joint Unified School District.

Flex Lease. On May 10, 2007, the District's Educational Facilities Corporation entered into an assignment in the amount of $1,525,064 with an effective interest rate of 4.30%. Principal and interest payments are due each November 1 and May 1 through May 1, 2022. As of June 30, 2017, the future minimum payments were as follows:

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Outstanding Loans

Year Ending June 30	Principal	Interest	Total
2018	$113,202	$25,352	$138,554
2019	118,124	20,432	138,556
2020	123,273	15,297	138,570
2021	128,666	9,940	138,606
2022	134,316	4,347	138,663
Total	$617,581	$75,368	$692,949

Source: Paso Robles Joint Unified School District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's general fund finances is provided as supplementary information. All of the debt service on the Bonds is payable and is expected to be fully paid from the proceeds of ad valorem taxes required to be levied by the County in SFID No. 1 in the aggregate amount sufficient for the payment thereof. See "Security and Source of Payment for the Bonds."

State Budget, Proposition 30, and School District Finance

School districts in California have faced numerous challenges over the past several years due to financial difficulties at the State level. This has resulted in budget cuts and payment deferrals to school districts. On November 6, 2012, the Governor placed a measure on the ballot known as "Proposition 30" or the "November Tax Initiative," which asked California voters to increase State sales tax and raise income taxes on certain high income individuals in order to generate additional revenues at the State level. The moneys raised would be applied to address State budget shortfalls and help fund educational programs. Proposition 30 was approved, and it is estimated that State revenues will increase by approximately $6 billion annually from fiscal year 2012-13 through 2016-17. Revenues generated pursuant to Proposition 30 will increase school and community college district funding, pay expenses owed from previous years and reduce delays in certain K-14 payments.

The adoption of the 2013-14 State budget and its related legislation also included significant reforms to education financing in the State. Under the Local Control Funding Formula ("LCFF"), the emphasis in education funding shifts from a State-controlled system with funding based largely on ADA and the revenue limit with numerous State-mandated categorical programs, to a locally-controlled system with a funding formula which attempts to better meet the needs of students, specifically low-income and English language learners who may require more support in order to be successful in school. In addition, the LCFF provides local school officials with the ability to decide how best to meet the needs of their students.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions 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 financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes measurable and available to finance expenditures for the current period; and expenditures are recognized in the period in which the liability is incurred, although debt service expenditures are recorded only when payment is due. For more information on the District's accounting method, see Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2017," Note 1 – "Summary of Significant Accounting Policies."

Effective beginning in fiscal year 2014-2015, GASB published its Statement No. 68 "Accounting and Financial Reporting for Pensions." Statement No. 68 requires state and local governments, and special purpose governments such as school districts and public utilities providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

School District Budget Process

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 Superintendent.

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

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

A State law adopted in 1991 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent 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 will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the County Superintendent.

For the first and second interim reports for Fiscal Years 2009-10, 2010-11, 2012-13 and 2013-14, the District was assigned a "qualified" certification. In Fiscal Year 2011-12, the District was assigned a "negative" certification for both the first and second interim reports. The District has been assigned a "positive" certification for the first and second interim reports for Fiscal Years 2014-15 through 2017-18.

District's 2017-18 Budget

The budget for the 2017-18 fiscal year was adopted by the District Board on June 27, 2017. Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 800 Niblick Road, Paso Robles, California 93446; phone (805) 769-1000. The District may impose charges for copying, mailing and handling.

For fiscal year 2017-18, the base rates per unit of ADA for each grade span are as follows: (i) $7,193 for grades K-3; (ii) $7,301 for grades 4-6; (iii) $7,518 for grades 7-8; and (iv) $8,712 for grades 9-12. The base rates for grades K-3 and 9-12 are increased by 10.4% and 2.6%, respectively, to cover the costs of class size reduction in the early grades and to support college and career readiness programs in high schools. (Under full implementation of the LCFF, as a condition of receiving the K–3 base–rate adjustment, districts must maintain a K–3 school–site average class size of 24 or fewer students, unless collectively bargained otherwise.) These target base rates are to be updated each year for cost–of–living adjustments (COLAs).

The District has a high proportion of English language learners, students from low income families and foster youth (estimated to be 52% in 2017-18). The District received LCFF funding in the amount of $51,905,947 for 2015-16, $55,523,255 for 2016-17 and expects to receive $57,886,927 for 2017-18. There are many variables which still remain to be finalized with respect to the LCFF model of education finance and the District is unable to predict at this time all of the impacts that this change in education funding will have on its finances.

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. Vavrinek, Trine, Day & Co., LLP, of Fresno, California (the "Auditor"), serves as independent auditor to the District and its report for Fiscal Year 2016-17 has been included in this Official Statement. See Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2017" herein. Audited financial statements for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Audit reports are also available at www.pasoschools.org. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at 800 Niblick Road, Paso Robles, California 93446, telephone (805) 769-1000, or by contacting the District's financial advisor, Dale Scott & Company Inc., 650 California Street, 8th Floor, San Francisco, California 94108, telephone (415) 956-1030.

In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

The District is required by law to file its annual audit with the County Superintendent and State officials by the December 15 following the close of each fiscal year, and to review the report and any recommended changes following a public meeting to be conducted no later than the following January 31.

The table on the following page set forth certain General Fund information for the District.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2012-13 Through 2016-17 (Audited)

	2012-13 Audited [1]	2013-14 Audited [1]	2014-15 Audited [1]	2015-16 Audited[1]	2016-17 Audited[1]
REVENUES					
Revenue Limit Sources/LCFF	$37,351,102	$44,187,941	$48,608,887	$54,467,895	$57,552,695
Federal sources	3,844,528	2,938,221	3,909,318	3,211,116	4,253,490
Other State sources	9,631,116	5,379,488	4,048,067	8,402,592	7,058,173
Other local sources	5,045,001	4,173,123	4,241,389	2,544,764	4,134,988
TOTAL REVENUES	$55,871,747	$56,678,773	$60,807,661	$68,626,367	$72,999,346
EXPENDITURES					
Instruction	32,218,296	34,474,124	36,429,300	41,920,278	46,132,819
Instruction-related activities:					
Supervision of instruction	2,047,125	1,578,054	1,841,794	3,003,387	3,344,017
Instructional library, media and technology	461,126	462,722	657,764	1,858,859	1,599,381
School site administration	3,145,124	3,496,046	3,664,438	3,615,052	3,765,149
Pupil services:					
Home-to-school transportation	1,676,558	2,128,786	1,974,847	1,597,532	1,605,635
Food services	-	-	-	-	-
All other pupil services	2,218,124	2,268,946	2,729,887	4,199,554	5,006,692
Administration:					
Data processing	885,569	1,388,647	1,528,251	1,515,971	1,264,633
All other administration	1,951,275	2,089,041	2,064,238	2,549,682	2,857,880
Plant Services	5,361,195	5,352,165	5,655,230	7,476,806	7,578,547
Facility acquisition and construction	121,674	41,353	6,975	30,956	96,890
Ancillary services	930,218	982,817	1,069,818	1,189,773	1,157,267
Community services	14,936	10,380	17,757	11,885	-
Other outgo	1,248,528	1,208,816	994,186	1,093,101	1,058,807
Debt Service					
Principal	-	-	-	-	-
Interest and other	-	-	-	-	-
TOTAL EXPENDITURES	52,279,748	55,481,897	58,584,485	70,062,836	75,467,717
Excess (Deficiency) of Revenues Over Expenditures	$3,591,999	$1,196,876	2,223,176	(1,436,469)	(2,468,371)
OTHER FINANCING SOURCES (USES)					
Transfers In	154	-	22,839	2,108,216	500,000
Other sources	385,000			-	-
Transfers Out	(1,284,450)	(1,074,013)	(944,515	-	(382,461)
Net Financing Sources (Uses)	(899,296)	(1,074,013)	(921,676)	2,108,216	117,559
NET CHANGE IN FUND BALANCES	2,692,703	122,863	1,301,500	671,747	(2,350,812)
Fund Balance - Beginning	2,853,317	5,546,020	5,668,882	6,970,382	6,780,941
Fund Balance - Ending	$5,546,020	$5,668,883	$6,970,382	$7,642,129	$4,430,129

[1] *Excerpted from the District's audited financial statements.*
Source: Paso Robles Joint Unified School District.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance for Fiscal Year 2017-18 (Adopted Budget, First Interim Report and Second Interim Report)

	Adopted Budget 2017-18	First Interim Report 2017-18	Second Interim Report 2017-18
REVENUES			
LCFF Sources	$60,775,839.00	$59,984,487.00	$59,946,891.00
Federal Revenue	3,353,272.00	4,162,347.66	4,327,138.21
Other state revenues	3,639,262.00	8,123,083.87	8,045,992.90
Other local revenues	3,298,474.23	4,532,002.79	4,735,144.75
Total revenues	71,066,847.23	7,801,921.32	77,055,166.86
EXPENDITURES			
Certificated salaries	31,767,597.20	31,441,459.71	32,448,954.09
Classified salaries	12,169,276.44	11,749,315.82	11,823,362.44
Employee benefits	16,761,280.61	18,484,617.77	18,663,768.79
Books and supplies	2,486,704.00	3,189,522.40	3,117,144.67
Services and other operating expenditures	6,551,972.00	8,986,767.44	7,647,044.11
Capital Outlay	27,810.00	1,833,677.89	2,002,188.99
Other Outgo	834,486.00	1,111,592.00	981,809.38
Other Outgo – Transfers of Indirect Costs	(105,005.00)	(109,618.00)	(129,204.10)
Total expenditures	70,494,121.25	76,687,365.03	76,555,068.37
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	572,725.98	114,556.29	500,098.49
OTHER FINANCING SOURCES (USES)			
Transfers In	80,000.00	80,000.00	80,000,00
Total Other Financing Sources (uses)	80,000.00	80,000,00	80,000.00
NET CHANGE IN FUND BALANCES			
Fund balance – July 1	5,817,676.20	5,648,890.14	5,648,890.14
Fund balance – June 30	$6,470,402.18	$5,843,446.43	$4,253,013.63

Source: Paso Robles Joint Unified School District.

Limit on School District Reserves

State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("SB 858"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

In August of 2015, a bill was introduced into the State Senate in response to SB 858 ("SB 799") proposing reforms to the reserve cap. SB 799 proposes a cap on unassigned reserves and special reserves for other than capital outlay of seventeen percent, with exemptions from the cap for school districts with less than 2,500 average daily attendance and basic aid districts.

The District cannot predict how SB 858 or SB 799, if enacted, will impact its reserves and future spending.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures. The policy of the District's Board of Trustees is to maintain a minimum reserve of 10% of general fund expenditures. It is expected that at the end of fiscal year 2017-18, the reserve will be 8.3% of general fund expenditures. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

County Investment Pool

In accordance with Education Code Section 41001, 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 or finance director serves as ex officio treasurer for those school districts located within the county. Each county treasurer or finance director has the authority to invest school district funds held in the county treasury. Generally, the county treasurer or finance director pools county funds with school district funds and funds from certain other public agencies within the county 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.

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 et seq. In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. Certain information concerning the County's pooled investment policy and its portfolio as of December 31, 2017, are included herein. See "Appendix F – County of San Luis Obispo Investment Pool Quarterly Report."

STATE FUNDING OF EDUCATION

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

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

The adoption of the 2013-14 State Budget and its related legislation included significant reforms to education financing in the State. Beginning in fiscal year 2013-14, school districts are being funded based on uniform funding grants assigned to certain grade spans. Under the Local Control Funding Formula ("LCFF"), the emphasis shifted from funding based largely on A.D.A. and the revenue limit with numerous State-mandated categorical programs, to a locally-controlled system with a funding formula which attempts to better meet the needs of students, specifically low-income and English language learners who may require more support in order to be successful in school. In addition, the LCFF provides local school officials with the ability to decide how best to meet the needs of their students. See "Revenue Sources - Local Control Funding Formula," below.

Revenue Sources.

The District categorizes its general fund revenues into four sources: (i) LCFF sources (consisting of a mix of State and local revenues); (ii) federal revenues; (iii) other State revenues; and (iv) other local revenues. Each of these revenue sources is described below.

<u>Revenue Limit Sources</u>. Prior to the implementation of the LCFF, each school district was determined to have a target funding level which consisted of a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the 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. The amount of State funding allocated to each school district was generally the amount needed to reach that district's base revenue limit after taking into account certain other revenues,

such as local property taxes. This is 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; ultimately, a school district whose local property tax revenues exceeded its base revenue limit received no State equalization aide, and received 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 aide were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District implemented the LCFF in fiscal year 2013-14.

Local Control Funding Formula. Legislation adopted in connection with the State's 2013-14 budget included the implementation of the LCFF, which changed the formula by which school districts in California receive State funding. This new funding model attempts to better meet the needs of students, particularly those students who come from low-income families or are English language learners, and which provides local school officials with the ability to decide how best to meet the needs of their students. Shifting from a State-controlled system that emphasized inputs (largely in the form of categorical funding which required funds to be spent on specific projects and programs), the LCFF implements a locally-controlled system in which local agencies decide the best way to spend funds, focused instead on improved outcomes. In exchange for local control, school districts will be required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received.

The LCFF affects how much funding a district will receive, but generally not the source of such funding (i.e., its share of local property taxes together with the State funding provided in the LCFF). It changes the State funding system for school districts, charter schools and county offices of education by, among other changes, consolidating most categorical programs with the existing revenue limit structure to provide a new student formula (to be phased in over a span of eight fiscal years), and implementing supplemental and concentration grants to English language learners and economically disadvantaged students. The LCFF includes the following components:

- A base grant for each local education agency.

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

- An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

The District has a high proportion of English language learners, students from low-income families and foster youth (51.63% in 2016-17). The District received LCFF funding in the amount of $46,149,705 for 2014-15, $51,905,947 for 2015-16, and $55,523,255 for 2016-17, and expects to receive $57,886,927 for 2017-18 based on LCFF gap funding at 43.19%. There are many variables which still remain to be finalized with respect to the LCFF model of education finance and the District is unable to predict at this time all of the impacts that this change in education funding will have on its finances.

The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2016-17, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education and District-funded county program students, but excludes adult education.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
Average Daily Attendance, Enrollment and Targeted Bas Grant
Fiscal Years 2013-14 through 2016-17

		A.D.A./Base Grant Enrollment					Enrollment[6]	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated % of EL/LI Students
2013-14	A.D.A. [2]:	1,835.80	1,383.74	954.33	2,048.15	6,222.02	6,533	55.63%
	Target Base Grant[3]:	6,952	7,056	7,266	8,419			
2014-15	A.D.A. [2]:	1,851.65	1,371.20	947.07	2,080.24	6,250.21	6,555	52.77%
	Target Base Grant[3][4]:	7,011	7,116	7,328	8,491			
2015-16	A.D.A. [2]:	1,886.93	1,399.99	925.46	2,118.95	6,331.33	6,672	53.04%
	Target Base Gran [3][5]:	7,083	7,189	7,403	8,578			
2016-17[1]	A.D.A. [2]:	1,898.08	1,423.05	978.36	2,168.95	6,468.44	6,797	51.63%
	Target Base Gran [3][5]:	7,083	7,189	7,403	8,578			

(1) Figures are projections.
(2) Funded A.D.A. for the school year, generally based on the second period of attendance in mid-April.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14 through 2016-17.
(4) Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost of living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Reflects enrollment as of October report submitted to the CBEDS in each school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students 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 will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Paso Robles Joint Unified School District.

All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans to identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate. County superintendents will review and provide support to the school districts under their jurisdiction, and the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their accountability plans.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. In addition to State funding determined pursuant to the LCFF, the District receives other State revenues that consist primarily of restricted revenues for the implementation of a majority of State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions for a majority of State mandated programs were eliminated, and funding for those programs was incorporated into the LCFF. However, because categorical funding for certain programs was excluded from the LCFF, school districts will continue to receive restricted State revenues to fund those programs.

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

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interagency services, interest earnings, leases and rentals, transportation services, and special education transfers from other agencies.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues			
Revenue Source	2014-15	2015-16	2016-17	2017-18[1]
LCFF	79.94%	79.37%	78.84%	85.52%
Federal revenues	6.43	4.68	5.83	4.72
Other State revenues	6.66	12.25	9.67	5.12
Other local revenues	6.98	3.71	5.66	4.64

(1) Adopted Budget 2017-18.
Source: Paso Robles Joint Unified School District.

The State Budget Process

The State Constitution requires the Governor to propose a budget to the State Legislature no later than January 10 of each year and requires the Legislature to adopt a final budget no later than June 15. The latter deadline was frequently missed when passage of the budget required a 2/3 majority of each house of the Legislature. In the first year operating under the new simple majority approval rule, the Legislature approved the budget on June 15, but the Governor vetoed it, and the Legislature then adopted a revised budget on June 28, which the Governor signed on June 30. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must be adopted by the district's governing board by July 1 and then revised within forty-five (45) days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget

Possible Delays in Apportionments. If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding may be treated differently. In 2002, a California Court of Appeal held in White v. Davis (also referred to as Jarvis v. Connell) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State constitution, such as appropriations for salaries of elected state officers, or (iii) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

Prior Years' Budgeting Techniques**.** Commencing in fiscal year 2008-09, as a result of declining revenues and fiscal difficulties, the State undertook a number of budgeting strategies, which had subsequent impacts on local agencies within the State. Such techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions (i.e., budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met), and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. A balanced Budget for fiscal year 2014-15 was approved by the Governor and a balanced budget is projected for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts. Nevertheless, there can be no certainty that budget-cutting strategies such as those implemented in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

Fiscal Year 2017-18 State Budget

On June 27, 2017, Governor Brown signed the budget for the State for fiscal year 2017-18 (the "2017-18 State Budget"). For the 2016-17 fiscal year, the 2017-18 State Budget increases revenues and transfers to $118.5 billion (up $3 billion from the 2016-17 State Budget) and revises expenditures downward approximately $1.1 billion from the 2016-17 State Budget to $121.4 billion.

For 2017-18, the 2017-18 State Budget includes general fund revenues and transfers of $125.9 billion and expenditures of $125.1 billion with a $1.8 billion deposit to the Rainy Day Fund to bring the Rainy Day Fund balance to $8.5 billion. A supplemental payment to PERS of $6 billion through a loan from the Surplus Money Investment Fund is intended to reduce PERS' unfunded liabilities and stabilize the State's contribution rate to PERS. The 2017-18 State Budget expands the Earned Income Tax Credit by including self- employed individuals and expanding the income ranges for which the credit applies. Additionally, the 2017-18 Budget implements the Road Repair and Accountability Act of 2017 aimed at investing in transportation infrastructure repair and modernization.

With respect to K-12 education, total spending is projected to be $92.5 billion in 2017-18. The Proposition 98 minimum funding guarantee for 2017-18 is increased by $2.6 billion over the 2016-17 State Budget level to $74.5 billion. LCFF funding under the 2017-18 State Budget is increased by $1.4 million bringing the LCFF to approximately 97% of full funding.

Significant provisions of the 2017-18 State Budget effecting K-12 education are as follows:

<u>One-Time Discretionary Grants</u>. $877 million Proposition 98 funds to provide school districts, county offices of education, and charter schools with discretionary resources for deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.

<u>After School and Education Safety (ASES) Program</u>. $50 million Proposition 98 funds to increase provider reimbursement rates for the ASES program.

<u>California Educator Development Program</u>. $11.3 million one-time federal Title II funds to assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high need subjects and schools.

Classified School Employees Credentialing Program. $25 million one-time Proposition 98 funds, available for five years, to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers.

Bilingual Professional Development Program. $5 million one-time Proposition 98 funds for one time competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

Charter School Facility Grant Program. An increase in the per student funding rate to $1,117 for the 2017-18 fiscal year and an ongoing COLA.

County Office of Education Accountability Assistance. $7 million Proposition 98 funds to support county office LCAP review and technical assistance workload.

California Equity Performance and Improvement Program. An increase of $2.5 million one-time Proposition 98 funds to support and promote equity.

Refugee Student Support. $10 million one-time Proposition 98 Genera funds to provide services for refugee students transitioning to a new learning environment.

California-Grown Fresh School Meals Grants. $1.5 million one-time Proposition 98 funds to incentivize the purchase of California-grown food by schools and expand the number of freshly prepared school meals.

District of Choice Program Extension. A six-year extension of the District of Choice program (set to sunset in 2018) and additional oversight and accountability requirements.

Proposed 2018-19 State Budget

On January 10, 2018, Governor Brown announced his proposed budget for the State for fiscal year 2018-19 (the "Proposed 2018-19 State Budget"). Under the Proposed 2018-19 State Budget, revenues and transfers for 2017-18 are approximately $127 billion, an increase of approximately $1.1 billion over the 2017-18 State Budget as a result of increased personal income tax and sales tax receipts over projections. Expenditures in 2017-18 will total approximately $126.5 billion. The Proposed 2018-19 State Budget forecasts resources for 2018-19 at approximately $129.7 billion with $131 billion of expenditures. The Proposed 2018-19 State Budget prioritizes continued implementation of existing programs and fiscal prudence as economic conditions remain stable. The Proposed 2018-19 State Budget would make a supplemental transfer to the Rainy Day Fund of $3.5 billion (in addition to the $1.5 billion required deposit) to bring the Rainy Day Fund to maximum funding in order to mitigate possible future economic recession.

With respect to K-12 education, the Proposed 2018-19 State Budget includes record Proposition 98 funding of $78.3 billion, including $1.8 billion of discretionary one-time funds. Total per pupil funding from all sources is projected to reach $16,085 in 2018-19 (including certain settle-up payments) with Proposition 98 per pupil funding totaling $11,614, an increase of $465 over 2017-18. With respect to LCFF, the Proposed 2018-19 State Budget includes $3 billion to bring the LCFF to full funding two years earlier than initially projected.

Significant provisions of the Proposed 2018-19 State Budget relating to K-12 education are as follows:

K-12 Component of the Strong Workforce Program. $212 million Proposition 98 Funds for K-12 CTE programs administered through the community college Strong Workforce Program in consultation with the Department of Education.

COLA. $133.5 million Proposition 98 Funds to support a 2.51% COLA for categorical programs outside of the LCFF, including Special Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program.

Special Education. $125 million Proposition 98 Funds and $42.2 million federal Temporary Assistance for Needy Families (TANF) funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5 year olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs.

State System of Support. $59.2 million Proposition 98 Funds for county offices of education and lead county offices of education to provide technical assistance to local educational agencies.

California Collaborative for Educational Excellence ("CCEE"). $6.5 million Proposition 98 Funds for the CCEE to help build capacity within county offices of education to provide technical assistance and improve student outcomes and $11.3 million Proposition 98 Funds for the CCEE to work with county offices of education to provide assistance to school districts.

County Offices of Education. $55.2 million Proposition 98 Funds to help county offices of education facilitate the improvement of school districts identified as being in need of differentiated assistance.

SELPAS. $10 million ongoing Proposition 98 Funds for SELPAs to work with county offices of education to provide technical assistance to local educational agencies to improve student outcomes.

Special Education Teachers. $100 million to increase and retain special education teachers.

Early Education and Care. $167 million to increase the availability of inclusive early education and care for children aged 0 to 5 years old, especially in low-income areas and in areas with relatively low access to care.

Educator Effectiveness Block Grant. $490 million one-time Proposition 98 Funds to support educator professional development.

Classified School Employee Credentialing Grant Program. $45 million one-time Proposition 98 Funds to support at least 2,250 classified employees electing become certificated classroom teachers.

Integrated Teacher Preparation Program. $10 million one-time non-Proposition 98 Funds to create pathways that allow university students to graduate with a bachelor's degree and a preliminary teaching credential within four years.

California Educator Development Grant Program. $9 million one-time federal Title II funds for competitive grants that assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.

California Center on Teaching Careers. $5 million one-time Proposition 98 Funds to support statewide teacher recruitment and retention efforts.

Bilingual Educator Professional Development Grant Program. $5 million one-time Proposition 98 Funds for competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

CalWORKs Stage 2 and Stage 3 Child Care. $5.2 million non-Proposition 98 Funds to reflect slight increases in the number of CalWORKs child care cases and slight decreases in the estimated cost of care.

Factors Affecting the Budget and Projections. Numerous factors, including, but not limited to: (i) shifting of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs, (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure, and (vii) other factors, may cause the revenue and spending projections made in the 2017-18 budget to be unattainable. The District cannot predict the impact that the 2017-18 budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the 2017-18 budget.

Additional Information on State Finances. The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget." The Legislative Analyst's Office budget overviews and other analyses may be found at www.lao.ca.gov under the heading "Products." In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov or through the Municipal Securities Rulemaking Board's EMMA website at emma.msrb.org.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Future State Budgets. The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. However, the obligation to levy *ad valorem* taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

Legal Challenge to State's Funding Method. The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future.

THE ECONOMY OF THE COUNTY OF SAN LUIS OBISPO

The information in this section concerning the County's economy is provided as supplementary information only. Because SFID No. 1 is located only within the County, no information regarding the County of Monterey's economy is provided. The Bonds are not a debt of the County, the County of Monterey, the City of Paso Robles, the State, or any of the State's political subdivisions; and neither the County, the County of Monterey, the City of Paso Robles, the State, nor any of the State's political subdivisions (other than the District) is liable for the Bonds.

General Information

The County is located on California's central Pacific coast, and encompasses approximately 3,304 square miles. The County is bordered by Monterey County on the north, Kern County on the east, Santa Barbara County on the south, and the Pacific Ocean on the west. According to the U.S. Bureau of Economic Analysis, in 2016, the County had per capita personal income of $51,442, which is 91% of the State average of $56,374.

Population

According to California Department of Finance's estimates, the County's 2017 annual population was 280,101, an increase of 0.58% over the 2016 population of 278,480. Historical population figures are shown in the following exhibit.

SAN LUIS OBISPO COUNTY
Population

Area	2012	2013	2014	2015	2016	2017
Arroyo Grande	17,141	17,254	17,295	17,428	17,720	17,736
Atascadero	28,248	28,478	28,636	29,169	30,633	30,900
El Paso de Robles	29,969	30,270	30,423	30,522	31,378	31,745
Grover Beach	13,046	13,101	13,119	13,144	13,391	13,438
Morro Bay	10,187	10,235	10,254	10,284	10,714	10,762
Pismo Beach	7,609	7,654	7,688	7,711	8,177	8,247
San Luis Obispo	44,953	45,240	45,484	45,802	46,298	46,724
Balance of County	118,467	118,536	120,056	120,233	120,169	120,549
Incorporated	151,153	152,232	152,899	154,060	158,311	159,552
County Total	269,620	270,768	272,955	274,293	278,480	280,101

County Employment

The County civilian labor force increased from 139,600 in 2015 to 140,000 in 2016. The County's civilian unemployment rate declined from 4.7% to 4.3%. The two tables on the following page show historical labor force data and major private sector employers in the County.

SAN LUIS OBISPO METROPOLITAN STATISTICAL AREA
Average Annual Civilian Labor Force, Employment and Unemployment

Type of Employment	2012	2013	2014	2015	2016
Civilian Labor Force	137,400	138,300	140,500	139,600	140,000
Civilian Employment	126,000	128,800	132,700	133,000	134,400
Civilian Unemployment	11,300	9,400	7,800	6,600	6,000
Civilian Unemployment Rate	8.2%	6.8%	5.6%	4.7%	4.3%

Source: California Employment Development Department, Labor Market Information, March 2016 Benchmark

Major Employers

The following table provides a listing of major employers in the County.

SAN LUIS OBISPO COUNTY
Major Employers

Employer Name	Location	Industry
Ami Sierra Vista Radiology	San Luis Obispo	Physicians & Surgeons
Arroyo Grande Community Hosp.	Arroyo Grande	Hospitals
Atascadero State Hospital	Atascadero	Mental Health Services
Cal Poly San Luis Obispo	San Luis Obispo	Schools – Universities & Colleges Academic
California Mid-State Fair	Paso Robles	Concert Venues
Child Abuse & Neglect Child	San Luis Obispo	Business Management Consultants
County Office of Education	San Luis Obispo	Schools
Cuesta College	Paso Robles	Schools – Universities & Colleges Academic
Department of Social Svc.	San Luis Obispo	Government Offices-Us
Diablo Canyon Nuclear Power	Not Available	Power Plants
Ernie Ball Inc	San Luis Obispo	Musical Instruments-Manufacturers
French Hospital Medical Ctr.	San Luis Obispo	Hospitals
Glenair Inc.	Paso Robles	Communications Consultants
Medi-Cal Eligibility Info	San Luis Obispo	Government Offices-County
Mental Marketing	Templeton	Advertising-Agencies & Counselors
Morro Bay Art Assn Gallery	Morro Bay	Art Galleries & Dealers
Pacific Gas & Electric Co.	San Luis Obispo	Electric Companies
Pacific Gas & Electric Co.	Avila Beach	Electric Companies
San Luis Obispo County Ems	San Luis Obispo	Government Offices-County
San Luis Obispo County Social	San Luis Obispo	Government Offices-County
San Luis Obispo Sheriff’s Dept.	San Luis Obispo	Sheriff
Sierra Vista Regional Med Ctr.	San Luis Obispo	Hospitals
Social Services Dept.	San Luis Obispo	Government Offices-County
Trust RCM	San Luis Obispo	Billing Service
Twin Cities Community Hospital	Templeton	Hospitals
William Randolph Hearst Meml	San Simeon	Non-Profit Organizations

Source: State of California Employment Development Department, extracted from America’s Labor Market Information System (ALMIS) Employer Database 2018 1st Edition.

LEGAL OPINION

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Dannis Woliver Kelley, Sacramento, California, Bond Counsel for the District. The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix C. Certain legal matters will also be passed upon for the District by Dannis Woliver Kelley, as Disclosure Counsel, and for the Underwriter by __________, as Underwriter’s Counsel.

TAX MATTERS

The following discussion of federal income tax matters written to support the promotion and marketing of the Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, Sacramento, California, to the effect that, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The form of Bond Counsel's anticipated opinion respecting the Bonds is included in Appendix C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Paying Agent Agreement by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any "arbitrage profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service ("IRS") or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on IRS or the State of California. IRS has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, IRS is likely to treat the District as the "taxpayer," and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Accounting Treatment of Discount and Premium on Certain of the Bonds. The initial public offering price of certain of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder's basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under "TAX MATTERS." Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the "Premium Bonds"), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

Form of Bond Counsel Opinion. The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as Appendix C.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") not later than 290 days after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices are to be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access System ("EMMA System"). The event notices will be filed by the District in the same manner as an Annual Report. The specific nature of the information to be contained in the Annual Report and in the notices of significant events is described in Appendix D – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of the District's outstanding general obligation bonds and certificates of participation. On multiple occasions during the last five years, the financial documents, including the District's audited financial statements that comprised the annual report, were not filed on a timely basis and certain financial documents were not filed. Additionally, during the last five years, no material event filings had been made for insured rating changes until January 2013, and several underlying rating upgrade was not filed. In March 2013, the missing financial reports for the preceding five years were filed on EMMA.

In order to assist it in complying with its disclosure undertakings for its outstanding bonds, certificates of participation and the Bonds, the District has engaged Dale Scott & Company, its Financial Advisor, to serve as its dissemination agent with respect to each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Bonds.

NO MATERIAL LITIGATION

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

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "__" to the Bonds. There is no assurance the credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the views of Moody's, and an explanation of the significance of such rating may be obtained from Moody's.

UNDERWRITING

The Bonds are being purchased by ________ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $__________, which equals the par amount of the Bonds ($________), plus original issue premium ($_________), and less underwriter's discount of ($______). The Official Notice of Sale relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

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

FINANCIAL ADVISOR

Dale Scott & Co., Inc. is serving as Financial Advisor to the District with respect to the Bonds. The Financial Advisor has assisted the District in the matters relating to the planning, structuring, execution and delivery of the Bonds. Because of its limited participation in reviewing this Official Statement, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein.

In December 2017, the Financial Advisor made a charitable contribution to the 4A Foundation for Paso Robles Schools.

COMPENSATION OF PROFESSIONALS

Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Underwriters' Counsel and Financial Advisor is contingent upon issuance of the Bonds.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Paying Agent Agreement providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions. Also, some of the data contained herein has been taken or constructed from District records.

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

References are also made herein to certain documents and reports relating to the District and SFID No. 1; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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

AUTHORIZATION

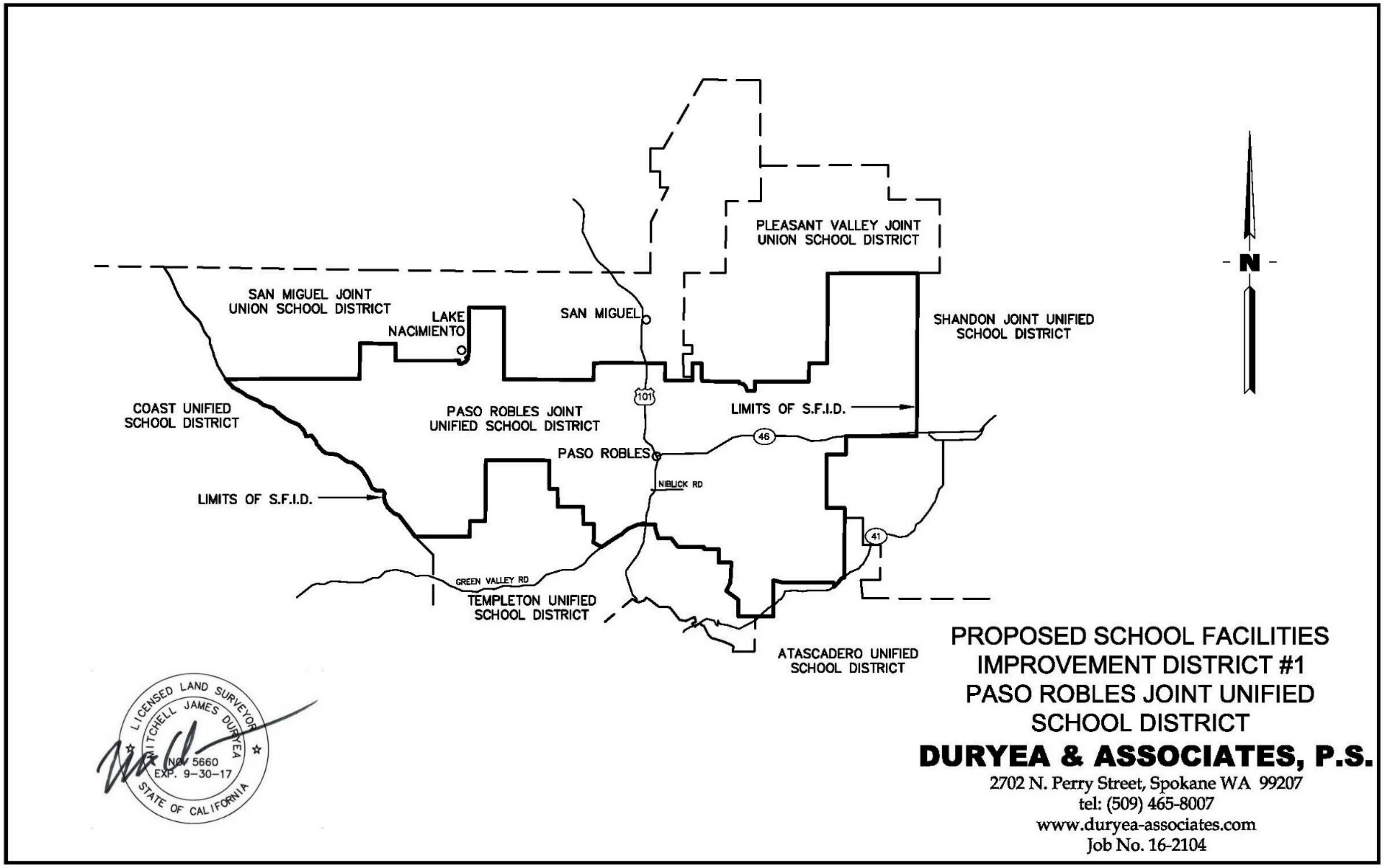
The execution and delivery of this Official Statement have been duly authorized by the District.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

By: _________________________
Chris Williams, Superintendent

APPENDIX A

MAP OF SFID NO. 1


PLEASANT VALLEY JOINT UNION SCHOOL DISTRICT
SAN MIGUEL JOINT UNION SCHOOL DISTRICT
LAKE NACIMIENTO
SAN MIGUEL
SHANDON JOINT UNIFIED SCHOOL DISTRICT
N
101
COAST UNIFIED SCHOOL DISTRICT
PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
LIMITS OF S.F.I.D.
46
PASO ROBLES
NIBLICK RD
LIMITS OF S.F.I.D.
41
GREEN VALLEY RD
TEMPLETON UNIFIED SCHOOL DISTRICT
ATASCADERO UNIFIED SCHOOL DISTRICT
PROPOSED SCHOOL FACILITIES IMPROVEMENT DISTRICT #1 PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
DURYEA & ASSOCIATES, P.S.
2702 N. Perry Street, Spokane WA 99207
tel: (509) 465-8007
www.duryea-associates.com
Job No. 16-2104
LICENSED LAND SURVEYOR
MITCHELL JAMES DURYEA
No. 5660
EXP. 9-30-17
STATE OF CALIFORNIA

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2017

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Date]

Board of Trustees
Paso Robles Joint Unified School District
800 Niblick Road
Paso Robles, CA 93446

Re: *$_______________*
General Obligation Bonds
of School Facilities Improvement District No. 1
of the Paso Robles Joint Unified School District
San Luis Obispo County, California
Election of 2016, Series A
Final Approving Opinion of Bond Counsel

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Paso Robles Joint Unified School District (the "District") of $________ aggregate principal amount of the General Obligation Bonds of School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District, San Luis Obispo County, California, Election of 2016, Series A (the "Bonds"), under and pursuant to the provisions of Sections 15140 and 15300 *et seq.* of the Education Code of the State of California, Resolution No. ____ adopted by the Board of Trustees on March 13, 2018 (the "Resolution"), and the provisions of the Paying Agent Agreement, dated as of ___________, 2018, by and between U.S. Bank National Association, as Paying Agent, and the District (the "Paying Agent Agreement"). In such capacity, we have examined such law and such certified proceedings, certificates, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the representations of the District contained in the Paying Agent Agreement and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Attention is called to the fact that we have not been requested to examine, and have not examined, any documents or information relating to the District other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds constitute valid and binding obligations of the District payable in accordance with the terms described therein.

2. The Paying Agent Agreement constitutes a valid and binding obligation of the District and creates a valid lien on the funds pledged by the Paying Agent Agreement for the security of the Bonds.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. The interest on the Bonds is exempt from State of California personal income taxes.

The rights of the holders of the Bonds and the enforceability of the Bonds and the Paying Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts for circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

DANNIS WOLIVER KELLEY

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[$40,000,000][*]
GENERAL OBLIGATION BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 1 OF THE
PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT
SAN LUIS OBISPO COUNTY, CALIFORNIA
ELECTION OF 2016, SERIES A

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Paso Robles Joint Unified School District (the "District") in connection with the issuance of [$40,000,000]* aggregate principal amount of the General Obligation Bonds of School Facilities Improvement District No. 1 of the Paso Robles Joint Unified School District, San Luis Obispo County, California, Election of 2016, Series A (the "Bonds") pursuant to a paying agent agreement, dated as of April 26, 2018 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association (the "Paying Agent"). The District covenants and agrees as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being delivered by the District for the benefit of the Bondholders and Beneficial Owners of the Bonds and to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. <u>Definitions</u>. Unless the context otherwise requires, the definitions set forth in the Paying Agent Agreement apply to this Disclosure Certificate. The following additional 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 (<u>Provision of Annual Reports</u>) and 4 (<u>Content of Annual Reports</u>) of this Disclosure Certificate.

Beneficial Owner means any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Bondholders mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means the District, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation.

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[*] Preliminary, subject to change.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the final Official Statement dated ___________, 2018, relating to the Bonds.

Opinion of Counsel means a written opinion of a law firm or attorney experienced in matters relating to interpretation of the Rule.

Participating Underwriter means _________________________, the underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository shall mean MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Rule means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Significant Event means any of the events listed in subsection (a) of Section 5 (Reporting of Significant Events) of this Disclosure Certificate.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repository. The District shall, or shall cause the Dissemination Agent to, not later than 290 days after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2017-2018 fiscal year, provide to the Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

b. Change of Fiscal Year. 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(b) (Notice of Significant Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (Delivery of Annual Report to Repository) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repository by the date required in subsection (a) (Delivery of Annual Report to Repository), the Dissemination Agent shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A.

e. Annual Compliance Certification. The Dissemination Agent shall, 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 include by reference the following:

a. Financial Statements. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Delivery of Annual Report to Repository), 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. Most Recent Interim Financial Report. The most recent Interim Financial Report submitted to the District's governing board in accordance with Education Code section 42130 (or its successor statutory provision) together with any supporting materials submitted to the governing board;

c. Annual Budget. The District's approved annual budget for the then-current fiscal year;

d. Assessed Value. Assessed value of taxable property (secured, unsecured, and total) in the District as shown on the most recent equalized assessment roll; and

e. Average Daily Attendance. The most recently available Average Daily Attendance for the District.

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 that have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a. Significant Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than 10 business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

b. Significant Events If Material. The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than 10 business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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; or appointment of a successor or additional paying agent or the change of name of a paying agent.

c. Notice of Significant Events. Whenever the District obtains knowledge of the occurrence of a Significant Event as described in Section 5(a) hereof, or determines that knowledge of the occurrence of a listed event described in Section 5(b) hereof would be material under applicable Federal securities law, the District shall file, or shall cause the Dissemination Agent (if not the District) to file, a notice of such occurrence with the Repository, in an electronic format as prescribed by the Repository, in a timely manner not in excess of 10 business days after the occurrence.

Section 6. Filings with the Repository. All documents provided to the Repository under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by the Repository and shall be accompanied by identifying information as prescribed by the Repository.

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 or upon the delivery to the District of an Opinion of Counsel to the effect that continuing disclosure is no longer required by the Rule. 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) (Notice of Significant Events).

Section 8. Dissemination Agent.

a. Appointment of 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 such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Bondholders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an Opinion of Counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repository), 4 (Content of Annual Reports), or 5(a) (Significant Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would, based upon an Opinion of Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. Consent of Bondholders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of Bondholders, or (ii) does not, based on an Opinion of Counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Significant Event under Section 5(c) (Notice of Significant Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 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, any Bondholder 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 Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. 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 it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable 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 not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an Opinion of Counsel. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF the District has caused this Continuing Disclosure Certificate to be signed by its authorized officer on the date written below.

Dated: __________, 2018 **PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

By: ___________________________________
Chris Williams, Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Paso Robles Joint Unified School District

Name of Securities: General Obligation Bonds of
School Facilities Improvement District No. 1 of the
Paso Robles Joint Unified School District
San Luis Obispo County, California
Election of 2016, Series A

Date of Issuance: ___________, 2018

NOTICE IS HEREBY GIVEN that Paso Robles Joint Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds for the fiscal year ended June 30, ____, as required by a Continuing Disclosure Certificate executed on __________, 2017, with respect to the above-captioned securities. The District anticipates that the Annual Report will be filed by ___________.

Dated:_______________ PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

______[Sample Only]____________

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent takes any responsibility for the information contained in this Appendix. When used in this Appendix, the term "Bonds" will mean the Bonds.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (i) payments of interest, principal or premium, if any, with respect to the Bonds, (ii) bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest 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 the Bonds. 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 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.

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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds 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 Bonds 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 District believes to be reliable, but District takes no responsibility for the accuracy thereof.

APPENDIX F

COUNTY OF SAN LUIS OBISPO INVESTMENT POOL QUARTERLY REPORT ENDING DECEMBER 31, 2017

The treasury investment policy is available at the internet website of the San Luis Obispo County Office of the Auditor, Controller, Treasurer, Tax Collector at www.slocounty.ca.gov. Neither the District nor the Underwriter has independently verified this information and neither guarantees the completeness or accuracy thereof. Further information regarding the County treasury investment policy and monthly report may be obtained by contacting the County of San Luis Obispo, Auditor, Controller, Treasurer, Tax Collector, 1055 Monterey St, Rm D290, San Luis Obispo, California 93408, Telephone (805) 781-5831, Facsimile (805) 781-5362.

The following quarterly report reflects the balance in the County investment pool dated as of December 31, 2017.

COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR
James P. Erb, CPA *Auditor-Controller • Treasurer-Tax Collector*
James W. Hamilton, CPA *Assistant Auditor-Controller • Treasurer-Tax Collector*

QUARTERLY REPORT OF INVESTMENTS
QUARTER ENDING December 31, 2017

DESCRIPTION

This is a summary of the Treasurer's investment operations for the quarter ending December 31, 2017, and a statement of compliance to the currently adopted County Treasurer's Investment Policy.

SUMMARY

As of December 31, 2017, the Combined Pool of Investments totals were:

Cash on Hand/Banks	$	31,617,598.04
Investments:		
Principal Cost	$	966,635,639.47
Market Value	$	963,608,878.95
Weighted Average Days to Maturity		366

The details of each investment held by the Treasury as of December 31, 2017, can be found on the Treasury Pool Detail Report attached to this summary. The market value information for this report came from Union Bank, Broker/Dealer provided estimates, or was derived through market value calculations.

FOR FINANCIAL STATEMENT REPORTING PURPOSES ONLY					
Amortized Cost	$	966,811,024.36	Market Value	$	963,608,878.95
Cash on Hand/Banks	$	31,617,598.04	Cash on Hand/Banks	$	31,617,598.04
Accrued Interest	$	2,039,293.49	Accrued Interest	$	2,039,293.49
Total:	$	1,000,467,915.89	Total:	$	997,265,770.48

Participating Dollar Factor: 0.996799352224
(Derived by dividing total market value by total amount in Treasury)

The value of each participating dollar equals the agency's fund balance as of December 31, 2017, (available from the County Auditor-Controller's Office) multiplied by the participating dollar factor.
This equates to approximately a $320.06 decrease per $100,000.

SEPARATELY MANAGED FUNDS

As of December 31, 2017, the moneys being managed by contracted parties were:

Principal Cost	$	12,937,985.08
Market Value	$	13,168,301.17

The details of the funds being managed by contracted parties can be found on the Separately Managed Funds Detail Report attached to this summary.

STATEMENT OF COMPLIANCE

LIQUIDITY

The Treasury will be able to meet the expenditures of the County for the next six months due to anticipated revenues, cash flow from operations, and scheduled maturities in anticipation of expenditures. In addition, portions of the portfolio can be liquidated to meet any significant unexpected cash flow needs.

INVESTMENT

The investment portfolio as of the quarter ending December 31, 2017, was reviewed and found to be in compliance with the current County Treasurer's Investment Policy. The Treasury continues to maintain its conservative and prudent investment objectives, which in order of priority are safety, liquidity, and yield, while maintaining compliance with federal, state, and local laws and regulations.

REPORT FILING/DISTRIBUTION

In compliance with the California Government Code this report is submitted to:

Board of Supervisors
County Administrative Officer
County Treasury Oversight Committee

Respectfully submitted on January 18, 2018
/S/ JAMES P. ERB, CPA
Auditor, Controller, Treasurer, Tax Collector

County of San Luis Obispo Government Center
P.O. Box 1149 | San Luis Obispo, CA 93406-1149 | (P) 805-781-5831 | (F) 805-781-5362
ttc@co.slo.ca.us | http://sloacttc.com

JAMES P. ERB, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT - 12/31/2017 PORTFOLIO
AS OF: 01/01/2018 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instrument	Invest. Number	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val(incls Acc. Int)
01/01/2018	CT	CTSTF	24	100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	99,880,300.00	99,880,300.00
CALTRUST-SHORT-TERM FUND				100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	99,880,300.00	99,880,300.00
05/03/2018	EWB	CDARS - Network Banks	17-0029	13,500,000.00	13,500,000.00	0.00	13,500,000.00	13,500,000.00	13,500,000.00	13,500,000.00
05/31/2018	EWB	CDARS - Network Banks	17-0039	8,000,000.00	8,000,000.00	0.00	8,000,000.00	8,000,000.00	8,000,000.00	8,000,000.00
CDARS*				21,500,000.00	21,500,000.00	0.00	21,500,000.00	21,500,000.00	21,500,000.00	21,500,000.00
03/05/2018	WF	FARM CR	15-0021	5,982,882.00	5,982,882.00	20,300.00	6,019,316.00	6,000,000.00	5,997,540.00	6,017,840.00
03/12/2018	ZB	FARM CR	15-0023	5,992,710.72	5,992,710.72	20,437.50	6,019,971.91	6,000,000.00	5,998,500.00	6,018,937.50
04/02/2018	ZB	FARM CR	15-0026	6,009,814.02	6,010,480.69	14,833.33	6,015,651.16	6,000,000.00	5,993,760.00	6,008,593.33
05/11/2018	UB	FARM CR	15-0044	5,994,000.00	5,994,000.00	8,583.33	6,007,871.67	6,000,000.00	5,990,280.00	5,998,863.33
06/14/2018	WF	FARM CR	16-0016	5,981,820.00	5,984,745.00	3,315.00	5,999,994.81	6,000,000.00	5,988,000.00	5,991,315.00
11/26/2018	WF	FARM CR	17-0032	5,998,674.00	5,998,674.00	7,116.67	6,006,322.04	6,000,000.00	5,972,880.00	5,979,996.67
12/14/2018	WF	FARM CR	16-0008	5,992,920.00	5,992,920.00	3,683.33	6,001,441.79	6,000,000.00	5,969,280.00	5,972,963.33
01/07/2019	WF	FARM CR	16-0020	6,019,440.00	6,020,106.67	29,000.00	6,036,205.05	6,000,000.00	5,951,820.00	5,980,820.00
04/26/2019	ZB	FARM CR	16-0025	5,986,404.24	5,986,404.24	10,833.33	6,004,873.54	6,000,000.00	5,930,940.00	5,941,773.33
09/27/2019	UB	FARM CR	17-0006	5,999,700.00	5,999,700.00	24,283.33	6,024,093.88	6,000,000.00	5,959,140.00	5,983,423.33
12/12/2019	WF	FARM CR	17-0002	6,001,680.00	6,001,680.00	4,591.67	6,005,680.99	6,000,000.00	5,942,100.00	5,946,691.67
12/19/2019	WF	FARM CR	17-0004	5,996,760.00	5,996,760.00	3,000.00	6,000,878.47	6,000,000.00	5,942,760.00	5,945,760.00
01/10/2020	WF	FARM CR	17-0024	6,016,062.00	6,040,087.00	44,175.00	6,056,021.13	6,000,000.00	5,944,380.00	5,988,555.00
03/03/2020	WF	FARM CR	17-0034	6,013,860.00	6,028,870.00	31,073.33	6,041,963.33	6,000,000.00	5,943,300.00	5,974,373.33
04/06/2020	ZB	FARM CR	17-0015	6,008,958.84	6,008,958.84	22,666.67	6,029,418.50	6,000,000.00	5,942,520.00	5,965,186.67
04/13/2020	UB	FARM CR	17-0026	5,999,760.00	6,003,376.67	20,150.00	6,019,965.24	6,000,000.00	5,940,960.00	5,961,110.00
04/13/2020	WF	FARM CR	17-0020	6,000,000.00	6,000,000.00	20,150.00	6,020,150.00	6,000,000.00	5,940,960.00	5,961,110.00
04/27/2020	WF	FARM CR	17-0025	5,982,300.00	5,982,300.00	15,466.67	6,001,787.94	6,000,000.00	5,920,140.00	5,935,606.67
05/08/2020	UB	FARM CR	17-0027	6,000,360.00	6,000,360.00	13,691.67	6,013,973.49	6,000,000.00	5,932,440.00	5,946,131.67
07/06/2020	UB	FARM CR	18-0001	6,738,300.40	6,738,300.40	50,934.72	6,792,779.12	6,760,000.00	6,681,043.20	6,731,977.92
10/26/2020	WF	FARM CR	18-0002	9,986,330.00	9,986,330.00	31,597.22	10,018,762.89	10,000,000.00	9,905,800.00	9,937,397.22
11/27/2020	WF	FARM CR	18-0009	4,244,071.86	4,247,669.19	7,644.33	4,251,996.41	4,260,000.00	4,238,572.20	4,246,216.53
FARM CREDIT				134,946,808.08	134,997,315.42	407,527.10	135,389,119.36	135,020,000.00	134,027,115.40	134,434,642.50
01/08/2018	WF	FHLB	15-0030	5,998,380.00	5,999,255.00	25,229.17	6,025,217.83	6,000,000.00	5,999,820.00	6,025,049.17
01/16/2018	UB	FHLB	14-0021	6,000,000.00	6,000,000.00	36,300.00	6,036,300.00	6,000,000.00	6,000,540.00	6,036,840.00
02/20/2018	WF	FHLB	15-0015	6,000,000.00	6,000,000.00	21,833.33	6,021,833.33	6,000,000.00	5,998,020.00	6,019,853.33
04/17/2018	WF	FHLB	15-0029	7,299,581.40	7,299,581.40	16,800.31	7,285,144.84	7,265,000.00	7,258,243.55	7,275,043.86
05/04/2018	WF	FHLB	15-0034	6,006,318.00	6,006,318.00	9,500.00	6,010,209.06	6,000,000.00	5,990,160.00	5,999,660.00
09/14/2018	ZB	FHLB	17-0038	6,058,200.00	6,083,866.67	35,666.67	6,067,367.10	6,000,000.00	6,010,020.00	6,045,686.67
10/01/2018	ZB	FHLB	17-0037	5,972,400.00	5,981,150.00	13,125.00	5,997,653.13	6,000,000.00	5,960,100.00	5,973,225.00
11/30/2018	WF	FHLB	16-0015	5,985,240.00	5,988,365.00	6,458.33	6,001,898.89	6,000,000.00	5,967,660.00	5,974,118.33
01/16/2019	WF	FHLB	17-0023	5,999,934.00	6,018,059.00	34,375.00	6,034,335.99	6,000,000.00	5,962,320.00	5,996,695.00
03/08/2019	UB	FHLB	16-0019	6,099,900.00	6,107,400.00	28,250.00	6,068,717.01	6,000,000.00	5,975,340.00	6,003,590.00
04/05/2019	UB	FHLB	16-0018	6,000,000.00	6,000,000.00	13,616.67	6,013,616.67	6,000,000.00	5,927,880.00	5,941,496.67
06/14/2019	ZB	FHLB	17-0005	6,033,750.00	6,034,020.83	4,604.17	6,024,202.14	6,000,000.00	5,976,120.00	5,980,724.17
11/15/2019	UB	FHLB	17-0003	5,983,020.00	5,988,978.33	10,541.67	5,999,672.56	6,000,000.00	5,939,820.00	5,950,361.67
03/18/2020	UB	FHLB	18-0012	9,903,426.75	9,972,764.25	83,043.75	9,981,486.64	9,675,000.00	9,882,045.00	9,965,088.75
05/04/2020	WF	FHLB	17-0028	5,002,825.00	5,002,825.00	12,508.33	5,014,709.55	5,000,000.00	4,950,200.00	4,962,708.33
05/15/2020	WF	FHLB	17-0035	6,018,300.00	6,022,425.00	12,650.00	6,027,293.38	6,000,000.00	5,947,500.00	5,960,150.00
06/05/2020	WF	FHLB	17-0040	6,001,638.00	6,001,638.00	6,673.33	6,007,997.47	6,000,000.00	5,929,680.00	5,936,353.33
06/12/2020	WF	FHLB	17-0041	12,065,988.00	12,065,988.00	11,083.33	12,064,849.10	12,000,000.00	11,918,760.00	11,929,843.33
06/19/2020	UB	FHLB	17-0043	4,998,950.00	4,999,595.83	2,583.33	5,001,718.74	5,000,000.00	4,940,550.00	4,943,133.33
09/11/2020	WF	FHLB	18-0011	15,357,510.00	15,468,916.25	131,770.83	15,482,858.49	15,000,000.00	15,327,150.00	15,458,920.83
12/11/2020	WF	FHLB	18-0007	19,930,400.00	19,930,400.00	20,833.33	19,952,566.91	20,000,000.00	19,917,000.00	19,937,833.33
FEDERAL HOME LOAN BANK				158,715,761.15	158,971,546.56	537,446.55	159,119,648.83	157,940,000.00	157,778,928.55	158,316,375.10
01/01/2018	ST	LAIF	1	65,000,000.00	65,000,000.00	127,687.39	65,127,687.39	65,000,000.00	64,876,045.00	65,003,732.39
LOCAL AGENCY INVESTMENT FUND				65,000,000.00	65,000,000.00	127,687.39	65,127,687.39	65,000,000.00	64,876,045.00	65,003,732.39
01/01/2018	EWB	PIMMA - East West Bank	6	25,000,000.00	25,000,000.00	0.00	25,000,000.00	25,000,000.00	25,000,000.00	25,000,000.00
01/01/2018	PWB	PIMMA - Pacific Western Bank	23	5,000,000.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
01/01/2018	RCB	PIMMA - River City Bank	29	50,000,000.00	50,000,000.00	0.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
01/01/2018	FSB	PIMMA - Five Star Bank	28	20,000,000.00	20,000,000.00	0.00	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00
01/01/2018	PPB	PIMMA - Pacific Premier Bank	31	100,000,000.00	100,000,000.00	0.00	100,000,000.00	100,000,000.00	100,000,000.00	100,000,000.00

JAMES P. ERB, CPA

SAN LUIS OBISPO COUNTY TREASURER

TREASURY POOL DETAIL REPORT - 12/31/2017 PORTFOLIO

AS OF: 01/01/2018 "Carrying Value" reflects Pool Revalue & LAIF Interest Earned

Maturity Date	Broker Code	Instrument	Invest. Number	Principal Cost	Purchase Price	Accrued Interest	Carrying Value	Par	Market Value	Market Val(incls Acc. Int)
PIMMA**				200,000,000.00	200,000,000.00	0.00	200,000,000.00	200,000,000.00	200,000,000.00	200,000,000.00
02/15/2018	ZB	T-NOTE	15-0019	9,999,609.38	10,002,924.30	37,771.74	10,037,755.50	10,000,000.00	9,996,400.00	10,034,171.74
02/28/2018	WF	T-NOTE	15-0028	11,961,562.50	11,971,589.67	30,580.11	12,028,466.98	12,000,000.00	11,988,720.00	12,019,300.11
03/15/2018	UB	T-NOTE	15-0024	5,980,781.25	5,980,944.29	17,900.55	6,016,619.30	6,000,000.00	5,995,800.00	6,013,700.55
06/15/2018	ZB	T-NOTE	16-0009	5,999,062.50	6,031,705.94	3,152.47	6,002,984.13	6,000,000.00	5,990,640.00	5,993,792.47
07/15/2018	MBS	T-NOTE	16-0011	5,960,928.00	5,982,042.13	24,252.72	6,016,215.76	6,000,000.00	5,978,460.00	6,002,712.72
07/15/2018	WF	T-NOTE	17-0036	5,980,312.50	6,000,181.28	24,252.72	6,014,866.25	6,000,000.00	5,978,460.00	6,002,712.72
08/15/2018	WF	T-NOTE	16-0006	5,973,750.00	5,992,500.00	22,663.04	6,016,615.64	6,000,000.00	5,976,120.00	5,998,783.04
08/31/2018	UB	T-NOTE	17-0011	6,027,187.50	6,035,747.28	30,580.11	6,043,380.44	6,000,000.00	5,992,500.00	6,023,080.11
09/15/2018	UB	T-NOTE	16-0005	5,973,900.00	5,987,746.15	17,900.55	6,011,272.41	6,000,000.00	5,970,960.00	5,988,860.55
09/15/2018	UB	T-NOTE	17-0022	5,986,875.00	5,991,440.22	17,900.55	6,011,426.23	6,000,000.00	5,970,960.00	5,988,860.55
10/31/2018	UB	T-NOTE	17-0021	5,960,390.63	5,980,653.06	7,707.18	5,986,540.27	6,000,000.00	5,950,560.00	5,958,267.18
10/31/2018	ZB	T-NOTE	16-0004	6,011,718.75	6,019,342.38	12,845.30	6,016,198.26	6,000,000.00	5,976,120.00	5,988,965.30
11/15/2018	WF	T-NOTE	16-0003	5,997,421.88	6,001,130.67	9,737.57	6,008,977.06	6,000,000.00	5,972,580.00	5,982,317.57
02/15/2019	UB	T-NOTE	16-0021	5,988,281.25	5,995,204.33	16,997.28	6,012,377.39	6,000,000.00	5,927,340.00	5,944,337.28
02/15/2019	ZB	T-NOTE	17-0018	5,947,500.00	5,953,839.78	16,997.28	5,985,296.24	6,000,000.00	5,927,340.00	5,944,337.28
03/15/2019	UB	T-NOTE	17-0030	5,975,625.00	5,986,059.78	17,900.55	6,001,870.15	6,000,000.00	5,939,760.00	5,957,660.55
05/15/2019	UB	T-NOTE	17-0007	5,932,968.75	5,948,631.73	6,816.30	5,965,161.75	6,000,000.00	5,921,040.00	5,927,856.30
06/15/2019	UB	T-NOTE	17-0031	5,952,656.25	5,974,867.79	2,451.92	5,969,348.78	6,000,000.00	5,916,120.00	5,918,571.92
07/15/2019	WF	T-NOTE	17-0033	5,930,156.25	5,946,938.02	20,788.04	5,970,385.32	6,000,000.00	5,898,960.00	5,919,748.04
07/31/2019	UB	T-NOTE	17-0009	6,037,968.75	6,053,051.62	40,801.63	6,066,380.57	6,000,000.00	5,977,980.00	6,018,781.63
08/31/2019	UB	T-NOTE	17-0010	6,034,687.50	6,042,105.98	33,128.46	6,056,892.93	6,000,000.00	5,975,640.00	6,008,768.46
09/30/2019	ZB	T-NOTE	17-0016	5,947,500.00	5,948,647.54	15,329.68	5,978,417.44	6,000,000.00	5,911,620.00	5,926,949.68
10/31/2019	WF	T-NOTE	17-0019	6,020,156.25	6,060,681.11	15,414.36	6,029,861.12	6,000,000.00	5,958,780.00	5,974,194.36
10/31/2019	UB	T-NOTE	17-0008	5,991,093.75	6,023,165.57	15,414.36	6,009,255.57	6,000,000.00	5,958,780.00	5,974,194.36
11/30/2019	WF	T-NOTE	18-0010	14,901,562.50	14,909,598.21	19,780.22	14,923,951.25	15,000,000.00	14,891,550.00	14,911,330.22
01/31/2020	UB	T-NOTE	17-0012	5,969,062.50	5,982,114.99	31,385.87	6,008,602.43	6,000,000.00	5,920,560.00	5,951,945.87
02/29/2020	UB	T-NOTE	17-0013	5,985,703.13	5,993,549.60	28,031.77	6,017,400.07	6,000,000.00	5,932,260.00	5,960,291.77
02/29/2020	ZB	T-NOTE	17-0017	5,965,781.28	5,973,525.85	25,483.42	5,999,964.92	6,000,000.00	5,918,220.00	5,943,703.42
03/31/2020	ZB	T-NOTE	17-0014	5,982,187.50	5,983,089.14	21,078.30	6,007,702.62	6,000,000.00	5,929,680.00	5,950,758.30
06/15/2020	WF	T-NOTE	17-0042	8,000,312.50	8,001,951.84	5,604.40	8,005,861.05	8,000,000.00	7,919,360.00	7,924,964.40
07/31/2020	UB	T-NOTE	18-0005	24,834,960.94	24,977,369.23	170,006.80	25,009,234.52	25,000,000.00	24,807,750.00	24,977,756.80
08/31/2020	ZB	T-NOTE	18-0004	14,797,851.56	14,853,117.44	70,079.42	14,873,192.10	15,000,000.00	14,780,850.00	14,850,929.42
09/15/2020	UB	T-NOTE	18-0006	14,794,335.94	14,841,625.30	61,533.14	14,860,944.70	15,000,000.00	14,786,100.00	14,847,633.14
10/31/2020	UB	T-NOTE	18-0008	19,694,531.25	19,726,437.33	47,099.45	19,747,427.07	20,000,000.00	19,677,400.00	19,724,499.45
11/15/2020	UB	T-NOTE	18-0003	11,974,687.50	11,975,267.61	27,265.19	12,003,016.05	12,000,000.00	11,931,120.00	11,958,385.19
TREASURY NOTE				286,473,070.24	287,128,787.16	966,632.45	287,713,862.27	288,000,000.00	285,546,490.00	286,513,122.45
TOTALS				966,635,639.47	967,597,649.14	2,039,293.49	968,850,317.85	967,460,000.00	963,608,878.95	965,648,172.44
QUARTERLY SUMMARY TOTALS				**966,635,639.47**					**963,608,878.95**	

*CDARS is an acronym for Certificate of Deposit Account Registry Service. This service is authorized by California Government Code (CGC) section 53635.8, and allows for placement of a single large investment into separate Certificates of Deposit of less than $250,000 with participating network banks. As a result, full FDIC Insurance is maintained.

**PIMMA is an acronym for Public Investment Money Market Account. This is an interest-bearing deposit account secured by collateral per CGC section 53651 et seq.

JAMES P. ERB, CPA
SAN LUIS OBISPO COUNTY TREASURER
TREASURY POOL DETAIL REPORT DEFINITION/CODES
AS OF: 12/31/2017

Broker/Bank/Issuer Codes - The name of the broker or bank from which the instrument was purchased or issued.

Code	Broker/Bank/Issuer	Code	Broker/Bank/Issuer
CT	CalTrust	RCB	River City Bank
EWB	East West Bank	ST	State of California Treasurer
FSB	Five Star Bank	UB	MUFG Union Bank, N.A.
MBS	Multi-Bank Securities	WF	Wells Fargo Institutional Sec., LLC
PPB	Pacific Premier Bank	ZB	Zions First National Bank
PWB	Pacific Western Bank		

Instrument - Type of investment purchased from a broker.

Code	Instrument	Code	Instrument
CTSTF	CalTrust-Short-Term Fund	LAIF	Local Agency Investment Fund
CDARS	Certificate of Deposit Account Registry Service	PIMMA	Public Investment Money Market Account
FARM CR	Farm Credit Bank	T-NOTE	Treasury Note
FHLB	Federal Home Loan Bank		

Principal Cost - The amount invested in an instrument excluding any purchased accrued interest.

Purchase Price - The amount paid for an instrument which includes the principal cost and any purchased accrued interest.

Carrying Value - The principal cost of an instrument amortized through quarter end including any accrued interest.

Par - The full value of an instrument.

Market Value - Current market value price of an investment priced as of the last day of the quarter.

Market Value (incl. acc. int.) - Current market value price of an investment plus any accrued interest.

JAMES P. ERB, CPA
SAN LUIS OBISPO COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR
SEPARATELY MANAGED FUNDS DETAIL REPORT
AS OF: December 31, 2017

		Principal Cost	Market Value
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Service Acount	0.00	0.00
	Principal Account	0.00	0.00
	Series A Interest Account	3.00	3.00
	Series A, B, C Bond Fund	2,387.29	2,387.29
Money held in conjunction with: SLO 03 Series A,B,C			
	Pension Trust Obligation Bond		
		2,390.29	2,390.29
Trustee Name:	The Bank of New York Mellon Trust Co., N.A.		
Accounts:	Bond Fund	509.75	509.75
	Interest Account	0.16	0.16
	Principal Account	0.00	0.00
	Mand. Sinking Account	0.00	0.00
	Service Acount	0.00	0.00
	Surplus Account	0.00	0.00
Money held in conjunction with: SLO 09 Series A			
	Pension Trust Obligation Bond		
		509.91	509.91
Trustee Name:	U.S. Bank Trust, N.A.		
	Revenue Fund	247.73	247.73
Accounts:	Interest Account	0.00	0.00
	Principal Account	0.00	0.00
	Reserve Fund	0.00	0.00
	Debt Service Fund	25.65	25.65
Money held in conjunction with: SLO County Revenue Bonds			
	2011 Series A-Lopez Dam Imp Refunding		
		273.38	273.38
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	70.37	70.37
	Reserve Fund	0.00	0.00
Money held in conjunction with: SLO County COP 07 Series A			
	(Paso Robles Courthouse Project)		
		70.37	70.37
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Lease Payment Fund	3,068.44	3,068.44
	Reserve Fund	451,612.92	451,612.92
Money held in conjunction with: SLO County COP 08 Series A			
	(Vineyard Drive Interchange Improvements)		
		454,681.36	454,681.36
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	Revenue Fund	275.40	275.40
	Interest Account	7,850.46	7,850.46
	Principal Account	0.00	0.00
	Reserve Fund	1,805,377.89	1,805,377.89
Money held in conjunction with: SLO County Financing Authority			
	Lease Revenue Refunding Bonds 2012 Ser A		
		1,813,503.75	1,813,503.75
Trustee Name:	U.S. Bank Trust, N.A.		
Accounts:	07 Series A & B Revenue Fund	1,252.53	1,252.53
	07 Series A & B Interest Acct	0.00	0.00
	07 Series A & B Principal Acct	0.00	0.00
	07 Series A Reserve Fund	10,307,299.26	10,537,615.35
	07 Series A Project Fund	7.96	7.96
	07 Series A Rebate Fund	357,996.27	357,996.27
	07 Series B Reserve Fund	0.00	0.00
	07 Series B Project Fund	0.00	0.00
Money held in conjunction with: SLO Cnty Rev Bond Ser A & B			
	(Nacimiento Water Project)		
		10,666,556.02	10,896,872.11
		12,937,985.08	13,168,301.17

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

APPENDIX G

[SPECIMEN MUNICIPAL BOND INSURANCE POLICY]