

**PASO ROBLES JOINT
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Paso Robles Joint Unified School District
Paso Robles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paso Robles Joint Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paso Robles Joint Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 64, schedule of other postemployment benefits funding progress on page 65, schedule of the district's proportionate share of net pension liability on page 66, and the schedule of district contributions on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the Paso Robles Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paso Robles Joint Unified School District's internal control over financial reporting and compliance.

Varrink, Trini, Day & Co, LLP

Fresno, California
December 12, 2016

The District of Excellence

This section of the Paso Robles Joint Unified School District annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year (FY) that ended on June 30, 2016. It reflects dedication of the District to maintain fiscal solvency through effective and efficient District operations. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements presenting different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in greater detail than the District-wide statements.
- The governmental funds statements show how basic services such as alternative and special education were financed in the short term, as well as what remains for future spending.
- Proprietary funds are used to account for activities that are more business-like than government-like in nature.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes explaining some of the information in the statements and providing more detailed data. The statements are followed by a section of required supplementary information further explaining and supporting the financial statements with a comparison of the District's budget for the year.

District-Wide Statements

The District-wide statements report information about the District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, additional non-financial factors such as changes in the condition of the District's school buildings and other facilities need to be considered.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In the District-wide financial statements, the District's activities fall into the following category:

Governmental Activities

The District's basic services are included here; e.g., alternative education, special education, and administration. Property taxes and State formula aid (LCFF) finance most of these activities in conjunction with Federal and State entitlement and grants.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending for particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, e.g., repaying its long-term debts or to show the proper use of certain revenues, e.g., State or Federal grants for building projects.

The District has three kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flow in and out; and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds (the other component of proprietary funds) to report activities that provide services for the District's Self-Insurance Program. The internal service fund is reported with governmental activities in the government-wide financial statements.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others. Our student body funds are reported in the agency fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

FINANCIAL HIGHLIGHTS

- The District presented an Adopted Budget for 2015-2016, projecting an increase in Ending Fund Balance of approximately \$5,699,079.
- The District certified both the 1st and 2nd Interim Financial Reports as "Positive". At fiscal year-end, the unrestricted expenses (including contributions) exceeded unrestricted revenues by \$60,305. The unrestricted Ending Balance for 2015-2016 was \$4,697,358 which represents 6.812 percent of actual expenditures. The budget for 2016-2017 projected expenditures within revenues with nearly the same percent in unrestricted Fund Balance, anticipating an unrestricted Ending Balance of 5.856 percent.
- Enrollment had a small increase in 2015-2016 with an increase of 34 over 2014-2015. The enrollment increased by 57 over 2013-2014. The District's enrollment has dropped from a high of 6,910 in 2007-2008 to 6543 in 2014-2015. It is anticipated that the 2016-2017 enrollment will continue to grow due to new District initiatives in athletics and VAPA.
- The PE Facility and Practice Gymnasium (Gym") went through the bid process in January 2014, and begin construction in March 2014. The Project is the final major construction project funded by Measure T and was completed in the 2015-2016 fiscal year.
- The District completed its second year of funding under the reformed financial restructuring known as the Local Control Funding Formula (LCFF). Due to the District's diverse demographics, the funding formula provides additional supplemental grants to provide expanded services to over 51 percent of the students enrolled in addition to the base grants for all students. This funding provides over 79 percent of the District's resources.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position decreased by approximately 15 percent due to the combination of the completion of construction projects during the year and lower liabilities at year end.

	Net Position		
	Government Activities		
	As of June 30, 2015 and 2016		
	June 30, 2015	June 30, 2016	Difference
Current and Other Assets	\$ 19,878,024	\$ 14,634,036	\$ (5,243,988)
Accounts Receivable	3,413,758	6,790,904	3,377,146
Net Fixed Assets	<u>93,029,549</u>	<u>91,513,934</u>	<u>(1,515,615)</u>
Total Assets	<u>116,321,331</u>	<u>112,938,874</u>	<u>(3,382,457)</u>
Deferred Outflows of Resources	<u>3,447,055</u>	<u>13,371,167</u>	<u>9,924,112</u>
Current Liabilities	6,380,664	5,949,251	(431,413)
Long-Term Obligations:			
Due within one year	755,362	1,195,554	440,192
Due after one year	27,141,194	28,810,295	1,669,101
Net pension liability	<u>40,646,073</u>	<u>51,490,341</u>	<u>10,844,268</u>
Total Liabilities	<u>74,923,293</u>	<u>87,445,441</u>	<u>12,522,148</u>
Deferred Inflows of Resources	<u>10,991,137</u>	<u>10,211,027</u>	<u>(780,110)</u>
Net Position			
Net investment in capital assets	70,714,248	67,366,722	(3,347,526)
Restricted	3,937,838	8,100,122	4,162,284
Unrestricted	<u>(40,798,130)</u>	<u>(46,813,271)</u>	<u>(6,015,141)</u>
Total Net Position	<u>\$ 33,853,956</u>	<u>\$ 28,653,573</u>	<u>\$ (5,200,383)</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Changes in Net Position

The District's total revenues (governmental activities) increased to \$74.1 million. Property taxes accounted for 55 percent of the District's revenue. An additional 27 percent came from State and Federal aid/grants not for specific programs, 13 percent from operating grants, and the remainder came from fees charged for services and miscellaneous sources.

Revenue Comparison June 30, 2015 Compared With June 30, 2016

	June 30, 2015	June 30, 2016	Difference
Charges for Services	\$ 2,035,956	\$ 2,035,520	\$ (436)
Operating Grants and Contributions	8,896,690	9,911,850	1,015,160
Capital Grants and Contributions	-	-	-
Federal and State Aid not Restricted for a Specific Purpose	22,030,745	20,303,991	(1,726,754)
Property Taxes	35,849,291	40,849,881	5,000,590
Other General Revenues	1,547,936	1,045,543	(502,393)
Total Revenues	\$ 70,360,618	\$ 74,146,785	\$ 3,786,167

The total cost of all programs and services (governmental activities) was \$79.3 million. The District's expenses are predominantly related to educating K-12 regular education, special education, alternative education, adult education, construction projects and after school child care students. The purely administrative activities of the District accounted for approximately six percent of total expenses.

Expense Comparison June 30, 2015 Compared With June 30, 2016

	June 30, 2015	June 30, 2016	Difference
Instruction Related	\$ 43,221,186	\$ 50,560,939	\$ 7,339,753
Student Support Services	4,663,072	6,014,252	1,351,180
Administration	3,830,812	4,823,217	992,405
Plant Services	9,367,598	10,852,500	1,484,902
Food Services	2,236,288	2,577,310	341,022
Other	3,737,181	4,518,950	781,769
Total Expenses	\$ 67,056,137	\$ 79,347,168	\$ 12,291,031

Total expenses surpassed revenues, decreasing net position by \$5.2 million.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$15.3 million which is down 9 percent from the prior year. Continued capital projects was the main reason for the overall decrease in total fund balances.

Summary of Fund Balances
All Funds
June 30, 2015 Compared With June 30, 2016

	June 30, 2015	June 30, 2016	Difference
General ¹	\$ 6,970,382	\$ 7,642,129	\$ 671,747
Child Development	17,738	61,630	43,892
Cafeteria	621,333	381,143	(240,190)
Building	727,172	322,697	(404,475)
Capital Facilities	1,398,498	5,028,991	3,630,493
County School Facilities	-	-	-
Special Reserve Capital Outlay	5,984,349	586,148	(5,398,201)
Bond Interest and Redemption	1,077,355	1,325,476	248,121
Total	\$ 16,796,827	\$ 15,348,214	\$ (1,448,613)

¹ Includes the District's Fund 14 - Deferred Maintenance Fund, Fund 15 - Pupil Transportation Fund, and Fund 17 - Special Reserve Non-Capital Outlay Fund in accordance with GASB Statement 54.

General Fund Budgetary Highlights

Over the course of the fiscal year, major revisions are submitted to the Board of Education at First Interim (October 31), Second Interim (January 31), and Third Interim (April 30) for their review and approval. These changes include:

- Changes in expenditures related to costs for new District educational program initiatives
- Changes in Grants as well as updating grant estimates to award letters and notifications
- Changes to reflect carryover estimates to the actual amounts for State and Federal grants and entitlements

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2016, the District had invested \$91.5 million in a broad range of capital assets, including, furniture, equipment, buses and vehicles. There are thirteen school sites, a school support facility, nutritional services and culinary arts facility, and the District central office building. The following table summarizes the District's assets by classification.

Capital Assets June 30, 2015 Compared With June 30, 2016

	June 30, 2015	June 30, 2016	Difference
Land	\$ 8,938,214	\$ 8,938,214	\$ -
Improvement and Sites	10,607,154	10,750,763	143,609
Buildings	104,924,374	109,314,748	4,390,374
Equipment	6,568,891	6,861,565	292,674
Work in Progress	3,944,650	286,776	(3,657,874)
Less: Accumulated Depreciation	(41,953,734)	(44,638,132)	(2,684,398)
Total	\$ 93,029,549	\$ 91,513,934	\$ (1,515,615)

Long-Term Obligations

At year-end, the District had \$30 million in long-term obligations outstanding discussed below, an increase of 7.6 percent from last year due to general obligation bond accreted interest, and other postemployment benefits.

Summary of Outstanding Long-Term Obligations June 30, 2015 Compared With June 30, 2016

	June 30, 2015	June 30, 2016	Difference
General Obligation Bonds	\$ 21,199,427	\$ 21,071,407	\$ (128,020)
Bond Premium	203,980	1,385,126	1,181,146
Certificates of Participation	640,000	340,000	(300,000)
Compensated Absences	533,601	545,273	11,672
Flex Lease - CSBA	830,077	726,079	(103,998)
Capital Leases	168,989	947,297	778,308
Other Postemployment Benefits	4,320,482	4,990,667	670,185
Total	\$ 27,896,556	\$ 30,005,849	\$ 2,109,293

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as of June 30, 2015, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2016, District reported Deferred Outflows from pension activities of \$13.4 million, Deferred Inflows from pension activities of \$10.2 million, and a Net Pension Liability of \$51.5 million.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial health in the future:

- In November 2013, the state held a general election and passed a proposition that will increase both income and sales taxes for periods of four and seven years, concurrently. This proposition will significantly increase state revenue, thereby, increasing state funding for schools, for the period of the taxes. The District cannot lose sight of the temporary nature of these, and the impact of the elimination, when doing long range planning and remains conservative in its projection. This is significant because this funding source is one of the major sources supporting the LCFF. The state's other traditional sources for funding schools must increase over this period in order to continue full funding and increases for the full implementation of the funding formula.
- The Adopted State Budget included the broadest change in educational funding seen in decades with the implementation of the LCFF. The new funding formula maintains the constructs of revenue limit and average daily attendance (ADA), but funds grade spans at different amounts based on the specific ADA of each span. In addition, supplemental funding is available for the 51 percent of district students who are designated low income, English language Learners of foster or homeless youth. These calculations are affected by statewide Cost of Living Allowances to arrive at a funding level that is intended to fund all students, in all districts, at the same level. However, the State is still not in a financial position to fully fund California schools. The gap between prior year (2012-2013) funding and full funding is intended to be addressed over the seven to ten years during State budget adoption and may vary widely from year to year. For the 2015-2016 year the District received 52.20 percent of "the gap" and remains only 91.84 percent funded from all state funding sources. Since the gap funding percentages are determined within the State budget each, year, multi-year projections are subject to unknown variances. The District relies on the LCFF calculation factors as agreed to by the Department of Finance, FCMAT, the Department of Education and county school offices.
- The District is monitoring enrollments very closely and will be cautious in developing future budgets, especially as they affect revenues and staffing needs.
- Federal maintenance of effort rules make it challenging to reduce expenditures for special education programs. Therefore, the gap between funds provided specifically for these programs, and the actual cost of these programs and services continues to increase. This requires that funds generated within the LCFF are allocated for these programs (traditionally referred to as encroachment or district contribution). The District is aware of the increasing impact on the General Fund and continues to monitor special education programs and services to ensure students are receiving services that are both cost-effective and at the same time appropriately meet the needs of each child.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact K. Duane Wolgamott, Chief Business Officer at (805) 769-1000 Ext. 30106, or Laura Becker, Director of Fiscal Services at (805) 769-1000 Ext. 30108 or by mail to the District's Business Office, 800 Niblick Road, Paso Robles, CA, 93446.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 14,590,308
Receivables	6,790,904
Stores inventories	43,728
Nondepreciable capital assets	9,224,990
Capital assets being depreciated	126,927,076
Accumulated depreciation	(44,638,132)
Total Assets	112,938,874
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	13,371,167
LIABILITIES	
Accounts payable	5,653,665
Unearned revenue	295,586
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,468,197
Noncurrent portion of long-term obligations other than pensions	28,537,652
Total Long-Term Obligations	30,005,849
Aggregate net pension liability	51,490,341
Total Liabilities	87,445,441
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	10,211,027
NET POSITION	
Net investment in capital assets	67,366,722
Restricted for:	
Debt service	1,325,476
Capital projects	5,028,991
Educational programs	1,364,512
Other activities	381,143
Unrestricted	(46,813,271)
Total Net Position	\$ 28,653,573

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 42,013,046	\$ 364,654	\$ 5,967,636	\$ (35,680,756)
Instruction-related activities:				
Supervision of instruction	3,037,955	39,919	1,059,418	(1,938,618)
Instructional library, media, and technology	1,879,676	872	30,195	(1,848,609)
School site administration	3,630,262	4,004	113,268	(3,512,990)
Pupil services:				
Home-to-school transportation	1,810,029	111,355	114,015	(1,584,659)
Food services	2,577,310	970,428	1,365,807	(241,075)
All other pupil services	4,204,223	78,660	441,867	(3,683,696)
Administration:				
Data processing	1,344,420	9,439	9,728	(1,325,253)
All other administration	3,478,797	14,322	183,684	(3,280,791)
Plant services	10,852,500	98,379	132,401	(10,621,720)
Ancillary services	1,162,945	24,515	57,271	(1,081,159)
Community services	507,503	168,937	217,991	(120,575)
Enterprise services	11,747	-	-	(11,747)
Interest on long-term obligations	1,860,797	-	-	(1,860,797)
Other outgo	975,958	150,036	218,569	(607,353)
Total Governmental Activities	\$ 79,347,168	\$ 2,035,520	\$ 9,911,850	(67,399,798)
General revenues and subventions:				
				38,837,273
				983,466
				1,029,142
				20,303,991
				82,590
				962,953
			Subtotal, General Revenues	62,199,415
			Change in Net Position	(5,200,383)
			Net Position - Beginning	33,853,956
			Net Position - Ending	\$ 28,653,573

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 7,085,364	\$ 322,697	\$ 5,000,361
Receivables	6,384,958	-	36,190
Stores inventories	-	-	-
Total Assets	\$ 13,470,322	\$ 322,697	\$ 5,036,551
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,580,413	\$ -	\$ 7,560
Unearned revenue	247,780	-	-
Total Liabilities	5,828,193	-	7,560
Fund Balances:			
Nonspendable	10,000	-	-
Restricted	1,302,882	322,697	5,028,991
Assigned	1,096,505	-	-
Unassigned	5,232,742	-	-
Total Fund Balances	7,642,129	322,697	5,028,991
Total Liabilities and Fund Balances	\$ 13,470,322	\$ 322,697	\$ 5,036,551

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,054,436	\$ 14,462,858
369,731	6,790,879
43,728	43,728
<u>\$ 2,467,895</u>	<u>\$ 21,297,465</u>
\$ 65,692	\$ 5,653,665
47,806	295,586
<u>113,498</u>	<u>5,949,251</u>
43,728	53,728
1,724,521	8,379,091
586,148	1,682,653
-	5,232,742
<u>2,354,397</u>	<u>15,348,214</u>
<u>\$ 2,467,895</u>	<u>\$ 21,297,465</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds	\$ 15,348,214
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 136,152,066
Accumulated depreciation is	<u>(44,638,132)</u>
Net Capital Assets	91,513,934
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	4,493,618
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	127,475
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	2,934,834
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(3,572,125)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	116,338
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(812,525)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(51,490,341)

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2016**

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

General obligation bonds	\$ 22,456,533	
Certificates of participation	340,000	
Compensated absences	545,273	
Capital leases	1,673,376	
Other postemployment benefits (OPEB)	4,990,667	
Total Long-Term Obligations		<u>\$ (30,005,849)</u>
Total Net Position - Governmental Activities		<u>\$ 28,653,573</u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	\$ 54,467,895	\$ -
Federal sources	3,211,116	-
Other State sources	8,402,592	-
Other local sources	2,544,764	2,995
Total Revenues	68,626,367	2,995
EXPENDITURES		
Current		
Instruction	41,920,278	-
Instruction-related activities:		
Supervision of instruction	3,003,387	-
Instructional library, media and technology	1,858,859	-
School site administration	3,615,052	-
Pupil services:		
Home-to-school transportation	1,597,532	-
Food services	-	-
All other pupil services	4,199,554	-
Administration:		
Data processing	1,515,971	-
All other administration	2,549,682	-
Plant services	7,476,806	-
Facility acquisition and construction	30,956	407,470
Ancillary services	1,189,773	-
Community services	11,885	-
Other outgo	1,093,101	-
Debt service		
Principal	-	9,000,000
Interest and other	-	892,889
Total Expenditures	70,062,836	10,300,359
Excess (Deficiency) of Revenues Over Expenditures	(1,436,469)	(10,297,364)
Other Financing Sources (Uses)		
Transfers in	2,108,216	-
Other sources	-	9,892,889
Transfers out	-	-
Net Financing Sources (Uses)	2,108,216	9,892,889
NET CHANGE IN FUND BALANCES	671,747	(404,475)
Fund Balance - Beginning	6,970,382	727,172
Fund Balance - Ending	\$ 7,642,129	\$ 322,697

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 54,467,895
-	1,538,222	4,749,338
-	250,826	8,653,418
1,681,654	2,439,779	6,669,192
<u>1,681,654</u>	<u>4,228,827</u>	<u>74,539,843</u>
-	-	41,920,278
-	29,338	3,032,725
-	-	1,858,859
-	-	3,615,052
-	-	1,597,532
-	2,559,401	2,559,401
-	-	4,199,554
-	-	1,515,971
820,570	35,363	3,405,615
122,572	536,686	8,136,064
483,147	8,598	930,171
-	-	1,189,773
-	489,114	500,999
-	-	1,093,101
443,619	305,000	9,748,619
67,248	435,423	1,395,560
<u>1,937,156</u>	<u>4,398,923</u>	<u>86,699,274</u>
<u>(255,502)</u>	<u>(170,096)</u>	<u>(12,159,431)</u>
3,068,066	-	5,176,282
817,929	-	10,710,818
-	(5,176,282)	(5,176,282)
<u>3,885,995</u>	<u>(5,176,282)</u>	<u>10,710,818</u>
3,630,493	(5,346,378)	(1,448,613)
1,398,498	7,700,775	16,796,827
<u>\$ 5,028,991</u>	<u>\$ 2,354,397</u>	<u>\$ 15,348,214</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds **\$ (1,448,613)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$ 1,168,783	
Depreciation expense	<u>(2,684,398)</u>	
Net Expense Adjustment		(1,515,615)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (817,929)

In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts paid by \$11,672. (11,672)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (140,045)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (670,185)

Proceeds received from the sale of bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. (9,892,889)

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2016

In the government-wide financial statements, bond premiums, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 6,743
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	9,305,000
Certificates of participation	300,000
Capital lease and Flex lease obligations	143,619
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds. Interest expense was reduced for the reversal of prior year accrued bond interest.	
	(471,981)
An internal service fund is used by the District's. The net revenue of the Internal Service Fund is reported with governmental activities.	
	13,184
Change in Net Position of Governmental Activities	<u>\$ (5,200,383)</u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities - Self Insurance Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 127,450
Receivables	25
Total Assets	<u>127,475</u>
LIABILITIES	
Current Liabilities	
Accounts payable	-
Total Current Liabilities	<u>-</u>
NET POSITION	
Restricted	127,475
Total Net Position	<u>\$ 127,475</u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Self Insurance Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 22,395
Total Operating Revenues	<u>22,395</u>
OPERATING EXPENSES	
Payroll costs	1,355
Supplies and materials	8,500
Total Operating Expenses	<u>9,855</u>
Operating Income	<u>12,540</u>
NONOPERATING REVENUES	
Interest income	644
Total Nonoperating Revenues	<u>644</u>
Change in Net Position	13,184
Total Net Position - Beginning	<u>114,291</u>
Total Net Position - Ending	<u><u>\$ 127,475</u></u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities - Self Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 22,420
Cash payments to other suppliers of goods or services	(8,500)
Cash payments to employees for services	(1,355)
Net Cash Provided by Operating Activities	<u>12,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	644
Net Cash Provided by Investing Activities	<u>644</u>
Net Increase in Cash and Cash Equivalents	13,209
Cash and Cash Equivalents - Beginning	114,241
Cash and Cash Equivalents - Ending	<u><u>\$ 127,450</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 12,540
Changes in assets and liabilities:	
Receivables	25
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 12,565</u></u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 327,546
Total Assets	<u>\$ 327,546</u>
LIABILITIES	
Due to student groups	\$ 327,546
Total Liabilities	<u>\$ 327,546</u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Paso Robles Joint Unified School District (the District) was organized in 1997 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and Federal agencies. The District operates six elementary schools, two middle schools, one high school, one continuation high school, one independent study high school, and one independent study learning center.

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

Component Units

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

Certificates of participation issued by the Paso Robles Joint Unified School District Educational Facilities Corporation (the "Corporation") are included as long-term obligations in the government-wide financial statements.

Basis of Presentation - Fund Accounting

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Major Governmental Funds

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

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, Fund 15, Pupil Transportation Fund, and Fund 17, Special Reserve Non-Capital Fund, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets of \$1,765,736, liabilities of \$123,847, and fund balance of \$1,641,889. Revenues and expenditures increased by \$13,001 and \$1,148,332, respectively.

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

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

Non-Major Governmental Funds

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

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self Insurance Fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities.

Basis of Accounting - Measurement Focus

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Assets and Depreciation

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term obligations.

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

Accounts Payable and Long-Term Obligations

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Debt Issuance Costs and Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$8,100,122 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are generated from the culinary program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

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JUNE 30, 2016

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

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

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JUNE 30, 2016

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

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

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 14,590,308
Fiduciary funds	327,546
Total Deposits and Investments	<u><u>\$ 14,917,854</u></u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 327,546
Cash in revolving	10,000
Investments	14,580,308
Total Deposits and Investments	<u><u>\$ 14,917,854</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Policies and Practices

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

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

General Authorizations

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 14,611,823	\$ 14,611,823	\$ -	\$ -	\$ -

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Self Insurance Fund	Total
Federal Government					
Categorical aid	\$ 1,117,165	\$ -	\$ 233,149	\$ -	\$ 1,350,314
State Government					
State principal apportionment	110,209	-	-	-	110,209
State grants and entitlements	2,738,167	-	33,473	-	2,771,640
Local sources	2,419,417	36,190	103,109	25	2,558,741
Total	<u>\$ 6,384,958</u>	<u>\$ 36,190</u>	<u>\$ 369,731</u>	<u>\$ 25</u>	<u>\$ 6,790,904</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets not being depreciated				
Construction in progress	\$ 3,944,650	\$ 286,776	\$ 3,944,650	\$ 286,776
Land	8,938,214	-	-	8,938,214
Total Capital Assets Not Being Depreciated	<u>12,882,864</u>	<u>286,776</u>	<u>3,944,650</u>	<u>9,224,990</u>
Capital Assets being depreciated				
Land improvements	10,607,154	143,609	-	10,750,763
Buildings and improvements	104,924,374	4,390,374	-	109,314,748
Furniture and equipment	6,568,891	292,674	-	6,861,565
Total Capital Assets Being Depreciated	<u>122,100,419</u>	<u>4,826,657</u>	<u>-</u>	<u>126,927,076</u>
Less Accumulated Depreciation				
Land improvements	10,486,000	179,497	-	10,665,497
Buildings and improvements	26,698,875	2,269,944	-	28,968,819
Furniture and equipment	4,768,859	234,957	-	5,003,816
Total Accumulated Depreciation	<u>41,953,734</u>	<u>2,684,398</u>	<u>-</u>	<u>44,638,132</u>
Governmental Activities Capital Assets, Net	<u>\$93,029,549</u>	<u>\$ 2,429,035</u>	<u>\$ 3,944,650</u>	<u>\$ 91,513,934</u>

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

Governmental Activities	
Instruction	\$ 8,158
Supervision of instruction	562
Home-to-school transportation	165,910
Food services	6,974
Community services	1,309
All other general administration	519
Data processing	3,353
Plant services	2,497,613
Total Depreciation Expenses Governmental Activities	<u>\$ 2,684,398</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2016, consist of the following:

The Special Reserve for Capital Outlay Projects Fund transferred to the General Fund for FEMA reimbursement.	\$ 2,108,154
The Special Reserve for Capital Outlay Projects Fund transferred to the Capital Facilities Fund for FEMA reimbursement.	2,308,390
The Special Reserve for Capital Outlay Projects Fund transferred to the Capital Facilities Fund for redevelopment projects.	759,676
The Tax Override Fund transferred to the General Fund to close the fund.	62
Total	<u><u>\$ 5,176,282</u></u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consists of the following:

	General Fund	Capitol Facilities Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,311,054	\$ 7,560	\$ 13,531	\$ 2,332,145
Salaries payable	1,688,525	-	52,161	1,740,686
Health and Welfare benefits payable	1,580,834	-	-	1,580,834
Total	<u><u>\$ 5,580,413</u></u>	<u><u>\$ 7,560</u></u>	<u><u>\$ 65,692</u></u>	<u><u>\$ 5,653,665</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 16,507	\$ 27,810	\$ 44,317
State categorical aid	231,273	19,996	251,269
Total	<u>\$ 247,780</u>	<u>\$ 47,806</u>	<u>\$ 295,586</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$21,199,427	\$ 9,176,980	\$ 9,305,000	\$ 21,071,407	\$ 600,000
Bond premium	203,980	1,187,889	6,743	1,385,126	105,734
Certificates of participation	640,000	-	300,000	340,000	340,000
Compensated absences	533,601	11,672	-	545,273	-
Flex lease - CSBA	830,077	-	103,998	726,079	108,498
Capital leases	168,989	817,929	39,621	947,297	313,965
Other postemployment benefits	4,320,482	2,301,921	1,631,736	4,990,667	-
Total	<u>\$27,896,556</u>	<u>\$13,496,391</u>	<u>\$11,387,098</u>	<u>\$ 30,005,849</u>	<u>\$1,468,197</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The Capital Facilities Fund makes payments for the certificates of participation and capital leases. The compensated absences will be paid by the fund for which the employee worked. The early retirement and postemployment benefits (OPEB) are paid by the General Fund.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds		Accreted Interest	Redeemed	Bonds	
				Outstanding July 1, 2015	Issued			Outstanding June 30, 2016	
8/1/07	9/1/31	4-6.87	\$11,999,871	\$ 11,632,094	\$ -	\$ 105,732	\$ 9,305,000	\$ 2,432,826	
6/3/10	9/1/45	6.47-6.75	8,000,127	9,567,333	-	366,248	-	9,933,581	
1/26/16	9/1/28	2-4	8,705,000	-	8,705,000	-	-	8,705,000	
	Total			<u>\$ 21,199,427</u>	<u>\$ 8,705,000</u>	<u>\$ 471,980</u>	<u>\$ 9,305,000</u>	<u>\$ 21,071,407</u>	

Debt Service Requirements to Maturity

Series 2007

Current Interest Portion, required payments:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 375,000	\$ 74,000	\$ 449,000
2018	425,000	21,250	446,250
Total	<u>\$ 800,000</u>	<u>\$ 95,250</u>	<u>\$ 895,250</u>

Capital Appreciation Portion, required payments:

Fiscal Year	Obligation at Maturity	Accreted Obligation	Interest to Accrete
2030	\$ 1,345,000	\$ 563,824	\$ 781,176
2031	1,395,000	546,282	848,718
2032	1,440,000	522,720	917,280
Total	<u>\$ 4,180,000</u>	<u>\$ 1,632,826</u>	<u>\$ 2,547,174</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Series 2010

Current Interest Portion, required payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity ¹</u>	<u>Total</u>
2017	\$ -	\$ 283,800	\$ 283,800
2018	-	283,800	283,800
2019	-	283,800	283,800
2020	-	283,800	283,800
2021	-	283,800	283,800
2022-2026	-	1,419,000	1,419,000
2027-2031	-	1,419,000	1,419,000
2032-2036	-	1,419,000	1,419,000
2037-2041	4,300,000	1,280,400	5,580,400
Total	<u>\$ 4,300,000</u>	<u>\$ 6,956,400</u>	<u>\$ 11,256,400</u>

¹ Bonds qualify as "Build America" bonds. Federal subsidies are expected to pay for up to 35 percent of required bond interest payments.

Capital Appreciation Portion, required payments:

<u>Fiscal Year</u>	<u>Obligation at Maturity</u>	<u>Accreted Obligation</u>	<u>Interest to Accrete</u>
2033-2037	\$ 8,720,000	\$ 2,440,816	\$ 6,279,184
2038-2039	4,085,000	1,005,765	3,079,235
2042-2046 ¹	13,025,814	2,187,000	10,838,814
Total	<u>\$ 25,830,814</u>	<u>\$ 5,633,581</u>	<u>\$ 20,197,233</u>

¹ Term bonds subject to mandatory early redemption.

2016 Refunding General Obligation Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 225,000	\$ 325,679	\$ 550,679
2018	45,000	315,850	360,850
2019	480,000	308,200	788,200
2020	525,000	293,125	818,125
2021	570,000	276,700	846,700
2022-2026	3,735,000	1,020,975	4,755,975
2027-2029	3,125,000	194,100	3,319,100
Total	<u>\$ 8,705,000</u>	<u>\$ 2,734,629</u>	<u>\$ 11,439,629</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Certificates of Participation

On August 1, 2000, the District's Educational Facilities Corporation issued \$2,645,000 in certificates of participation with interest rates ranging from 4.10 to 5.30 percent. The certificates mature each August 1 through August 1, 2016, with semi-annual interest payments due February 1 and August 1. The proceeds were used to purchase and construct facilities to be used by the District.

The certificates mature through 2017 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 340,000	\$ 9,010	\$ 349,010

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2016, amounted to \$545,273.

Flex Lease

On May 10, 2007, the District's Educational Facilities Corporation entered into an assignment agreement in the amount of \$1,525,064 with an effective interest rate of 4.30 percent. Principal and interest payments are due each November 1 and May 1 through May 1, 2022.

At June 30, 2016, future minimum payments were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 108,498	\$ 30,068	\$ 138,566
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	\$ 726,079	\$ 105,436	\$ 831,515

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	<u>Principal</u>
Balance, July 1, 2015	\$ 168,989
Additions	817,929
Payments	39,621
Balance, June 30, 2016	<u><u>\$ 947,297</u></u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2017	\$ 319,029
2018	319,029
2019	319,029
Total	<u>957,087</u>
Less: Amount Representing Interest	9,790
Present Value of Minimum Lease Payments	<u><u>\$ 947,297</u></u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$2,163,950, and contributions made by the District during the year were \$1,432,264 (including the implicit rate subsidy factor of 1.2739). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$137,971 and \$(199,472), respectively, which resulted in an increase to the net OPEB obligation of \$670,185. As of June 30, 2016, the net OPEB obligation was \$4,990,667. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventories	-	-	-	43,728	43,728
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>43,728</u>	<u>53,728</u>
Restricted					
Legally restricted programs	1,302,882	-	-	-	1,302,882
Capital projects	-	322,697	5,028,991	-	5,351,688
Debt services	-	-	-	1,325,476	1,325,476
Child care programs	-	-	-	61,630	61,630
Food service	-	-	-	337,415	337,415
Total Restricted	<u>1,302,882</u>	<u>322,697</u>	<u>5,028,991</u>	<u>1,724,521</u>	<u>8,379,091</u>
Assigned					
Pupil transportation needs	109,234	-	-	-	109,234
Capital projects	987,271	-	-	586,148	1,573,419
Total Assigned	<u>1,096,505</u>	<u>-</u>	<u>-</u>	<u>586,148</u>	<u>1,682,653</u>
Unassigned					
Reserve for economic uncertainties	4,775,816	-	-	-	4,775,816
Remaining unassigned	456,926	-	-	-	456,926
Total Unassigned	<u>5,232,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,232,742</u>
Total	<u>\$ 7,642,129</u>	<u>\$ 322,697</u>	<u>\$ 5,028,991</u>	<u>\$ 2,354,397</u>	<u>\$ 15,348,214</u>

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2016, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 29,541,946	\$ 29,682,669	\$ 140,723
Classified salaries	\$ 11,411,550	\$ 11,903,110	\$ 491,560
Employee benefits	\$ 13,387,190	\$ 14,715,645	\$ 1,328,455
Other outgo	\$ 808,377	\$ 1,057,739	\$ 249,362

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Paso Robles Joint Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 45 retirees and beneficiaries currently receiving benefits and approximately 630 active plan members as of the actuarial date.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (PRPE), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015-2016, the District contributed \$1,124,314 (excludes implicit rate subsidy) to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,163,950
Interest on net OPEB obligation	137,971
Adjustment to annual required contribution	(199,472)
Annual OPEB cost	<u>2,102,449</u>
Contributions made	<u>(1,432,264)</u>
Increase in net OPEB obligation	670,185
Net OPEB obligation, beginning of year	<u>4,320,482</u>
Net OPEB obligation, end of year	<u>\$ 4,990,667</u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2016	\$ 2,102,449	\$ 1,432,264	68.12%	\$ 4,990,667
2015	1,905,366	1,231,245	64.62%	4,320,482
2014	1,875,139	1,429,850	76.25%	3,646,361

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	\$ -	\$ 18,844,185	\$ 18,844,185	0.00%	\$ 35,583,236	52.96%

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2016, was 28 years.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with the Self Insured Schools of California II (SISC II) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the Self Insurance Program for Employees (SIPE), an insurance purchasing pool. The intent of SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SIPE. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SIPE. Participation in SIPE is limited to districts that can meet SIPE selection criteria.

Employee Medical Benefits

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

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 38,266,246	\$ 8,961,935	\$ 6,773,780	\$ 3,235,703
CalPERS	13,224,095	4,409,232	3,437,247	1,092,045
Total	\$ 51,490,341	\$ 13,371,167	\$ 10,211,027	\$ 4,327,748

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$3,109,666.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 38,266,246
State's proportionate share of the net pension liability associated with the District	<u>20,238,626</u>
Total	<u><u>\$ 58,504,872</u></u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0568 percent and 0.0523 percent, resulting in a net increase in the proportionate share of 0.0045 percent.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$3,235,703. In addition, the District recognized pension expense and revenue of \$1,567,709 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,109,666	\$ -
Net change in proportionate share of net pension liability	2,837,248	-
Difference between projected and actual earnings on pension plan investments	3,015,021	6,134,342
Differences between expected and actual experience in the measurement of the total pension liability	-	639,438
Total	<u>\$ 8,961,935</u>	<u>\$ 6,773,780</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	\$ (1,291,025)
2018	(1,291,025)
2019	(1,291,025)
2020	753,754
Total	<u>\$ (3,119,321)</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 366,302
2018	366,302
2019	366,302
2020	366,302
2021	366,302
Thereafter	366,300
Total	<u>\$ 2,197,810</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 57,779,052
Current discount rate (7.60%)	\$ 38,266,246
1% increase (8.60%)	\$ 22,049,529

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$1,383,952.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,224,095. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0897 percent and 0.0889 percent, resulting in a net increase in the proportionate share of 0.0009 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$1,092,045. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,383,952	\$ -
Net change in proportionate share of net pension liability	97,587	-
Difference between projected and actual earnings on pension plan investments	2,171,917	2,624,721
Differences between expected and actual experience in the measurement of the total pension liability	755,776	-
Changes of assumptions	-	812,526
Total	<u>\$ 4,409,232</u>	<u>\$ 3,437,247</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (331,928)
2018	(331,928)
2019	(331,928)
2020	542,980
Total	<u>\$ (452,804)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and the differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 14,082
2018	14,082
2019	12,673
Total	<u>\$ 40,837</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 21,523,317
Current discount rate (7.65%)	\$ 13,224,095
1% increase (8.65%)	\$ 6,322,738

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,843,624 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Self Insured Schools of California III (SISC III), Self Insurance Program for Employees (SIPE), and the Self Insured Schools of California II (SISC II) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has appointed one board member to the governing board of each JPA.

During the year ended June 30, 2016, the District made payments of \$9,361,100, \$989,465, and \$317,881 to SISC III, SIPE, and SISC II, respectively for its health, workers' compensation, and property liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 53,856,834	\$ 53,654,053	\$ 54,467,895	\$ 813,842
Federal sources	3,537,198	4,048,643	3,211,116	(837,527)
Other State sources	6,116,555	6,996,887	8,402,592	1,405,705
Other local sources	3,442,012	2,769,552	2,544,764	(224,788)
Total Revenues	66,952,599	67,469,135	68,626,367	1,157,232
EXPENDITURES				
Current				
Certificated salaries	26,632,134	29,541,946	29,682,669	(140,723)
Classified salaries	9,627,858	11,411,550	11,903,110	(491,560)
Employee benefits	12,494,091	13,387,190	14,715,645	(1,328,455)
Books and supplies	2,823,604	4,924,120	4,648,919	275,201
Services and operating expenditures	7,536,718	9,519,926	7,766,340	1,753,586
Other outgo	794,479	808,377	1,057,739	(249,362)
Capital outlay	443,000	452,548	288,414	164,134
Total Expenditures	60,351,884	70,045,657	70,062,836	(17,179)
Excess (Deficiency) of Revenues Over Expenditures	6,600,715	(2,576,522)	(1,436,469)	1,140,053
Other Financing Sources (Uses)				
Transfers in	16,800	1,331,553	2,108,216	776,663
Transfers out	(971,436)	(97,453)	-	97,453
Net Financing Sources (Uses)	(954,636)	1,234,100	2,108,216	874,116
NET CHANGE IN FUND BALANCES	5,646,079	(1,342,422)	671,747	2,014,169
Fund Balance - Beginning	6,970,382	6,970,382	6,970,382	-
Fund Balance - Ending	\$ 12,616,461	\$ 5,627,960	\$ 7,642,129	\$ 2,014,169

See accompanying notes to required supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Method (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	\$ -	\$ 18,844,185	\$ 18,844,185	0.00%	\$ 35,583,236	52.96%
July 1, 2012	\$ -	\$ 16,316,150	\$ 16,316,150	0.00%	\$ 31,524,547	51.76%
July 1, 2010	\$ -	\$ 13,664,563	\$ 13,664,563	0.00%	\$ 35,380,314	38.62%

See accompanying notes to required supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.0568%</u>	<u>0.0523%</u>
District's proportionate share of the net pension liability (asset)	\$ 38,266,246	\$ 30,558,899
State's proportionate share of the net pension liability (asset) associated with the District	<u>20,238,626</u>	<u>18,452,783</u>
Total	<u>\$ 58,504,872</u>	<u>\$ 49,011,682</u>
District's covered - employee payroll	<u>\$ 25,646,757</u>	<u>\$ 23,775,939</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>149.21%</u>	<u>128.53%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0897%</u>	<u>0.0889%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 13,224,095</u>	<u>\$ 10,087,174</u>
District's covered - employee payroll	<u>\$ 9,804,842</u>	<u>\$ 9,366,623</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>134.87%</u>	<u>107.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying notes to required supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 3,109,666	\$ 2,277,432
Contributions in relation to the contractually required contribution	<u>(3,109,666)</u>	<u>(2,277,432)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 28,981,044</u>	<u>\$ 25,646,757</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 1,383,952	\$ 1,169,623
Contributions in relation to the contractually required contribution	<u>(1,383,952)</u>	<u>(1,169,623)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 11,681,877</u>	<u>\$ 9,936,479</u>
Contributions as a percentage of covered - employee payroll	<u>11.847%</u>	<u>11.771%</u>

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

See accompanying notes to required supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Contributions

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

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	\$ 820,853
Title I - Part C, Migrant Education	84.011	14326	189,709
Title I - Part G, Advance Placement Incentive Program	84.330	14831	3,649
Title II - Part A, Improving Teacher Quality	84.367	14341	111,521
Title II - Part B, Math and Science Partnerships	84.366	14512	494,594
Title III - LEP	84.365	14346	136,673
Special Education Cluster			
IDEA - Basic Local Assistance	84.027	13379	1,054,121
IDEA - Local Assistance - Private School	84.027	10115	17,938
IDEA - Preschool Grants	84.173	13430	62,737
IDEA - Preschool Local Entitlement	84.027A	13682	121,746
Subtotal Special Education Cluster			<u>1,256,542</u>
Vocational Educational Grants Technology Secondary II	84.048	14894	61,311
Total U.S. Department of Education			<u>3,074,852</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health			
Care Services:			
Child Care and Development Block Grant	93.596	13609	97,908
Medicaid Programs:			
Medical Administrative Activities	93.778	10060	104,814
Medi-Cal Billing	93.778	10013	31,451
Subtotal Medicaid Programs			<u>136,265</u>
Total Department of Health and Human Services			<u>234,173</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	950,152
Especially Needy Breakfast	10.553	13526	394,193
Regular Breakfast	10.553	13525	1,537
Meals Supplements - Snack	10.555	13391	9,675
Food Distribution - Commodities	10.555	13391	85,634
Subtotal Child Nutrition Cluster			<u>1,441,191</u>
Total U.S. Department of Agriculture			<u>1,441,191</u>
Total Expenditures of Federal Awards			<u>\$ 4,750,216</u>

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The Paso Robles Joint Unified School District was established in 1997 and consists of an area comprising approximately 650 square miles. The District operates six elementary schools, two middle schools, one high school, one continuation high school, one independent study high school, and one independent study learning center. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Field Gibson	President	2018
Joel Peterson	Clerk	2016
Chris Bausch	Member	2016
Dave Lambert	Member	2016
Dr. Kathleen Hall	Member	2018
Tim Gearhart	Member	2018
Joan Summers	Member	2016

ADMINISTRATION

Chris Williams	Superintendent
Scott Lathrop	Chief Financial Officer
Frank Panian	Chief Human Resources Officer
Karin Bruck	Director of Fiscal Services

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,882.10	1,885.24
Fourth through sixth	1,397.38	1,394.53
Seventh and eighth	922.52	919.17
Ninth through twelfth	2,110.52	2,085.38
Total Regular ADA	<u>6,312.52</u>	<u>6,284.32</u>
Extended Year Special Education		
Transitional kindergarten through third	1.35	1.35
Fourth through sixth	0.63	0.63
Seventh and eighth	0.88	0.88
Ninth through twelfth	1.45	1.45
Total Extended Year Special Education	<u>4.31</u>	<u>4.31</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.08	1.86
Ninth through twelfth	2.00	2.03
Total Special Education, Nonpublic, Nonsectarian Schools	<u>4.08</u>	<u>3.89</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.20	0.20
Ninth through twelfth	0.13	0.13
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.33</u>	<u>0.33</u>
Total ADA	<u><u>6,321.24</u></u>	<u><u>6,292.85</u></u>

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	1986-1987	2015-2016	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,675	180	N/A	Complied
Grade 2		50,675	180	N/A	Complied
Grade 3		50,675	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		55,625	180	N/A	Complied
Grade 5		55,625	180	N/A	Complied
Grade 6		59,431	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,431	180	N/A	Complied
Grade 8		59,431	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,955	180	N/A	Complied
Grade 10		64,955	180	N/A	Complied
Grade 11		64,955	180	N/A	Complied
Grade 12		64,955	180	N/A	Complied

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	(Budget) 2017 ^{1,4}	2016 ⁴	2015 ⁴	2014 ⁴
GENERAL FUND				
Revenues	\$ 68,843,052	\$ 68,613,366	\$ 59,520,406	\$ 55,238,044
Other sources and transfers in	500,000	882,143	22,301	-
Total Revenues ³	69,343,052	69,495,509	59,542,707	55,238,044
Expenditures	70,009,042	68,957,714	57,300,099	54,005,093
Other uses and transfers out	-	118,124	947,614	1,077,386
Total Expenditures and Other Uses ³	70,009,042	69,075,838	58,247,713	55,082,479
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ (665,990)</u>	<u>\$ 419,671</u>	<u>\$ 1,294,994</u>	<u>\$ 155,565</u>
ENDING FUND BALANCE	<u>\$ 5,334,250</u>	<u>\$ 6,000,240</u>	<u>\$ 5,580,569</u>	<u>\$ 4,285,575</u>
AVAILABLE RESERVES²	<u>\$ 4,566,752</u>	<u>\$ 5,232,742</u>	<u>\$ 6,051,333</u>	<u>\$ 3,925,348</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>6.5%</u>	<u>7.6%</u>	<u>10.4%</u>	<u>7.1%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 30,005,849</u>	<u>\$ 27,896,556</u>	<u>\$ 27,589,498</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>6,422</u>	<u>6,321</u>	<u>6,242</u>	<u>6,213</u>

The General Fund balance increased by \$1,714,665 over the past two years. The 2016-2017 adopted budget projects a decrease of \$665,990 (11 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased over the past two years by \$2,416,351.

Average daily attendance has increased by 108 over the past two years. Growth of 101 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances contained within the General Fund.

³ On behalf payments have been excluded from revenues and expenditures in this schedule for the 2014 and 2015 fiscal years.

⁴ General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund, Fund 15, Pupil Transportation and 17, Special Reserve Non-Capital Outlay as required by GASB Statement No. 54.

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Child Development Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	\$ 19,107	\$ 116,992	\$ 592,861
Receivables	100,906	268,825	-
Stores inventories	-	43,728	-
Total Assets	\$ 120,013	\$ 429,545	\$ 592,861
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,577	\$ 48,402	\$ 6,713
Unearned revenue	47,806	-	-
Total Liabilities	58,383	48,402	6,713
Fund Balances:			
Nonspendable	-	43,728	-
Restricted	61,630	337,415	-
Assigned	-	-	586,148
Total Fund Balances	61,630	381,143	586,148
Total Liabilities and Fund Balances	\$ 120,013	\$ 429,545	\$ 592,861

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Child Development Fund	Cafeteria Fund	Special Reserve Capital Outlay Fund
REVENUES			
Federal sources	\$ 97,908	\$ 1,355,558	\$ 84,756
Other State sources	130,169	113,476	-
Other local sources	397,858	1,045,431	15,065
Total Revenues	625,935	2,514,465	99,821
EXPENDITURES			
Current			
Instruction-related activities:			
Supervision of instruction	29,338	-	-
Pupil services:			
Food services	-	2,559,401	-
Administration:			
All other administration	35,363	-	-
Plant services	28,228	195,254	313,204
Facility acquisition and construction	-	-	8,598
Community services	489,114	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	582,043	2,754,655	321,802
Excess (Deficiency) of Revenues Over Expenditures	43,892	(240,190)	(221,981)
Other Financing Sources (Uses)			
Transfers out	-	-	(5,176,220)
Net Financing Sources (Uses)	-	-	(5,176,220)
NET CHANGE IN FUND BALANCES	43,892	(240,190)	(5,398,201)
Fund Balance - Beginning	17,738	621,333	5,984,349
Fund Balance - Ending	\$ 61,630	\$ 381,143	\$ 586,148

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 1,538,222
7,181	-	250,826
981,363	62	2,439,779
<u>988,544</u>	<u>62</u>	<u>4,228,827</u>
-	-	29,338
-	-	2,559,401
-	-	35,363
-	-	536,686
-	-	8,598
-	-	489,114
305,000	-	305,000
435,423	-	435,423
<u>740,423</u>	<u>-</u>	<u>4,398,923</u>
<u>248,121</u>	<u>62</u>	<u>(170,096)</u>
-	(62)	(5,176,282)
-	(62)	(5,176,282)
248,121	-	(5,346,378)
1,077,355	-	7,700,775
<u>\$ 1,325,476</u>	<u>\$ -</u>	<u>\$ 2,354,397</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of federal commodities received by the District that are not included in the District's financial statements and FEMA reimbursements for expenditures dating back several years.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,749,338
Reconciling items:		
Food Distribution - Commodities	10.555	85,634
FEMA Payment	N/A	<u>(84,756)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 4,750,216</u></u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2016

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Paso Robles Joint Unified School District
Paso Robles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paso Robles Joint Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Paso Robles Joint Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Paso Robles Joint Unified School District in a separate letter dated December 12, 2016.

Purpose of This Report

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

Varrink, Trine, Day & Co., LLP

Fresno, California
December 12, 2016



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

Governing Board
Paso Robles Joint Unified School District
Paso Robles, California

Report on Compliance for Each Major Federal Program

We have audited Paso Robles Joint Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Paso Robles Joint Unified School District's (the District) major Federal programs for the year ended June 30, 2016. Paso Robles Joint Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Paso Robles Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Varrink, Trine, Day & Co., LLP

Fresno, California
December 12, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Paso Robles Joint Unified School District
Paso Robles, California

Report on State Compliance

We have audited Paso Robles Joint Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Paso Robles Joint Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Paso Robles Joint Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Paso Robles Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Paso Robles Joint Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Paso Robles Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Paso Robles Joint Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vannink, Trine, Day & Co, LLP

Fresno, California
December 12, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board
Paso Robles Joint Unified School District
Paso Robles, California

In planning and performing our audit of the financial statements of Paso Robles Joint Unified School District, for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted a matter that is an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2016, on the government-wide financial statements of the District.

PASO ROBLES HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Disbursements

Observation

During our audit of the cash disbursement procedures, we determined that internal controls over the disbursement process are not always being followed. We found that not all Purchase Orders/Check Requests were dated before the date on the invoice. This would indicate that items are being purchased prior to their approval.

Recommendation

All purchases must be preapproved by a board-designated official, a student organization representative, and the certificated employee who is the student organization advisor. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved prior to the item being purchased.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 12, 2016