

**PASO ROBLES JOINT
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, the business-type 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Paso Robles Joint Unified School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 65, schedule of other postemployment benefits funding progress on page 66, schedule of the district's proportionate share of net pension liability on page 67, and the schedule of district contributions on page 68, 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 5, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Paso Robles Joint Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paso Robles Joint Unified School District's internal control over financial reporting and compliance.

Varinuk, Trine, Day + Co. LLP

Fresno, California
December 5, 2017



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, 2017. 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. Included in these two statements are Business-Type Activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting.
- 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, 2017

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.

Business-Type Activities

The District's Culinary Arts Academy are included here. The program is a unique and multi-productive facility. The building hosts both an academic and instructional kitchen with a fully functional dining area. Its design also facilities a full production kitchen that produces and supplies sixteen other sites in the Paso Robles School District area.

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. The cafeteria enterprise fund is reported separately 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, 2017

FINANCIAL HIGHLIGHTS

- The District presented an Adopted Budget for 2016-2017, projecting an ending General Fund balance of \$6,114,951.
- 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 \$213,086. The unrestricted ending balance for 2016-2017 was \$3,028,829 which represents 4.0 percent of actual expenditures. The budget for 2017-2018 projected expenditures and revenues with nearly the same percent in unrestricted Fund Balance, anticipating an unrestricted ending balance of 8.1 percent.
- Enrollment had an increase in 2016-2017 of 226 over 2015-2016. The enrollment increased by 160 over 2014-2015. The District's enrollment has dropped from a high of 6,910 in 2007-2008 to 6,588 in 2015-2016. It is anticipated that the 2017-2018 enrollment will continue to grow due to new District initiatives in athletics and VAPA.
- The District completed its third 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 52 percent of the students enrolled in addition to the base grants for all students. This funding provides over 80 percent of the District's resources.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position decreased by approximately 22.2 percent primarily due to increased instruction related expenditures.

	Net Position		
	Government Activities		
	As of June 30, 2016 and 2017		
	Restated		
	June 30, 2016	June 30, 2017	Difference
Current and Other Assets	\$ 14,634,036	\$ 11,032,670	\$ (3,601,366)
Accounts Receivable	5,929,716	4,415,971	(1,513,745)
Net Fixed Assets	91,513,934	92,061,513	547,579
Total Assets	112,077,686	107,510,154	(4,567,532)
Deferred Outflows of Resources	13,371,167	16,606,689	3,235,522
Current Liabilities	5,949,251	6,962,902	1,013,651
Long-Term Obligations:			
Due within one year	1,195,554	1,116,447	(79,107)
Due after one year	28,810,295	27,331,175	(1,479,120)
Net pension liability	51,490,341	65,392,524	13,902,183
Total Liabilities	87,445,441	100,803,048	13,357,607
Deferred Inflows of Resources	10,211,027	1,703,497	(8,507,530)
Net Position			
Net investment in capital assets	67,366,722	68,399,308	1,032,586
Restricted	8,100,122	4,775,949	(3,324,173)
Unrestricted	(47,674,459)	(51,564,959)	(3,890,500)
Total Net Position	\$ 27,792,385	\$ 21,610,298	\$ (6,182,087)

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**Net Position
Business-Type Activities
As of June 30, 2016 and 2017**

	June 30, 2016	June 30, 2017	Difference
Current and Other Assets	\$ -	\$ 41,713	\$ 41,713
Accounts Receivable	-	25,279	25,279
Total Assets	-	66,992	66,992
Deferred Outflows of Resources	-	-	-
Current Liabilities	-	154,613	154,613
Total Liabilities	-	154,613	154,613
Deferred Inflows of Resources	-	-	-
Net Position			
Unrestricted	-	(87,621)	(87,621)
Total Net Position	\$ -	\$ (87,621)	\$ (87,621)

Changes in Net Position

The District's total revenues (governmental activities) increased to \$78.6 million. Property taxes accounted for 54.3 percent of the District's revenue. An additional 27.4 percent came from State and Federal aid/grants not for specific programs, 14.4 percent from operating grants, and the remainder came from fees charged for services and miscellaneous sources.

**Revenue Comparison
June 30, 2016 Compared With June 30, 2017**

	June 30, 2016	June 30, 2017	Difference
Governmental Activities			
Charges for Services	\$ 2,035,520	\$ 1,243,094	\$ (792,426)
Operating Grants and Contributions	9,911,850	11,281,091	1,369,241
Federal and State Aid not Restricted for a Specific Purpose	20,303,991	21,551,644	1,247,653
Property Taxes	40,849,881	42,675,468	1,825,587
Other General Revenues	1,045,543	1,854,838	809,295
Total Governmental Activities Revenues	\$ 74,146,785	\$ 78,606,135	\$ 4,459,350
Business Type Activities			
Local and intermediate sources	\$ -	\$ 169,457	\$ 169,457

The total cost of all programs and services (governmental activities) was \$84.8 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 five percent of total expenses.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

**Expense Comparison
June 30, 2016 Compared With June 30, 2017**

Governmental Activities	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Difference</u>
Instruction Related	\$ 50,560,939	\$ 57,977,849	\$ 7,416,910
Student Support Services	6,014,252	7,001,754	987,502
Administration	4,823,217	4,416,785	(406,432)
Plant Services	10,852,500	9,095,788	(1,756,712)
Food Services	2,577,310	2,461,058	(116,252)
Other	4,518,950	3,834,988	(683,962)
Total Governmental Activities Expenses	\$ 79,347,168	\$ 84,788,222	\$ 5,441,054
Business Type Activities	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Difference</u>
Payroll costs	\$ -	\$ 152,559	\$ 152,559
Supplies and materials	-	97,191	97,191
Other operating costs	-	7,328	7,328
Total Business Type Activities Expenses	\$ -	\$ 257,078	\$ 257,078

Total expenses surpassed revenues, decreasing net position by \$6.2 million.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 \$8.4 million which is down 42.3 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, 2016 Compared With June 30, 2017

	Restated June 30, 2016	June 30, 2017	Difference
General ¹	\$ 6,780,941	\$ 4,430,129	\$ (2,350,812)
Child Development	61,630	179,369	117,739
Cafeteria	381,143	529,931	148,788
Building	322,697	319,253	(3,444)
Capital Facilities	5,028,991	1,661,916	(3,367,075)
Special Reserve Capital Outlay	586,148	-	(586,148)
Bond Interest and Redemption	1,325,476	1,240,115	(85,361)
Total	\$ 14,487,026	\$ 8,360,713	\$ (6,126,313)

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, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2017, the District had invested \$92.1 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, 2016 Compared With June 30, 2017			
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Difference</u>
Land	\$ 8,938,214	\$ 11,141,639	\$ 2,203,425
Improvement and Sites	10,750,763	10,960,589	209,826
Buildings	109,314,748	109,936,685	621,937
Equipment	6,861,565	7,002,324	140,759
Work in Progress	286,776	286,776	-
Less: Accumulated Depreciation	<u>(44,638,132)</u>	<u>(47,266,500)</u>	<u>(2,628,368)</u>
Total	<u>\$ 91,513,934</u>	<u>\$ 92,061,513</u>	<u>\$ 547,579</u>

Long-Term Obligations

At year-end, the District had \$28.4 million in long-term obligations outstanding presented below, a decrease of 5.2 percent from last year.

Summary of Outstanding Long-Term Obligations			
June 30, 2016 Compared With June 30, 2017			
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>Difference</u>
General Obligation Bonds	\$ 21,071,407	\$ 20,976,869	\$ (94,538)
Bond Premium	1,385,126	1,279,334	(105,792)
Certificates of Participation	340,000	-	(340,000)
Compensated Absences	545,273	172,456	(372,817)
Flex Lease	726,079	617,581	(108,498)
Capital Leases	947,297	1,107,674	160,377
Other Postemployment Benefits	<u>4,990,667</u>	<u>4,293,708</u>	<u>(696,959)</u>
Total	<u>\$ 30,005,849</u>	<u>\$ 28,447,622</u>	<u>\$ (1,558,227)</u>

Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, District reported Deferred Outflows from pension activities of \$16.6 million, Deferred Inflows from pension activities of \$1.7 million, and a Net Pension Liability of \$65.4 million.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 52 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 2016-2017 year the District received 54.84 percent of "the gap" and remains only 96.4 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, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 10,880,116	\$ 26,792	\$ 10,906,908
Receivables	4,415,971	25,279	4,441,250
Internal balances (Due from other funds)	117,457	-	117,457
Stores inventories	35,097	14,921	50,018
Nondepreciable capital assets	11,428,415	-	11,428,415
Capital assets being depreciated	127,899,598	-	127,899,598
Accumulated depreciation	(47,266,500)	-	(47,266,500)
Total Assets	107,510,154	66,992	107,577,146
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	16,606,689	-	16,606,689
LIABILITIES			
Accounts payable	6,466,090	37,156	6,503,246
Internal balances (Due to other funds)	-	117,457	117,457
Unearned revenue	496,812	-	496,812
Long-term obligations:			
Current portion of long-term obligations other than pensions	1,116,447	-	1,116,447
Noncurrent portion of long-term obligations other than pensions	27,331,175	-	27,331,175
Total Long-Term Obligations	28,447,622	-	28,447,622
Aggregate net pension liability	65,392,524	-	65,392,524
Total Liabilities	100,803,048	154,613	100,957,661
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,703,497	-	1,703,497
NET POSITION			
Net investment in capital assets	68,399,308	-	68,399,308
Restricted for:			
Debt service	1,240,115	-	1,240,115
Capital projects	1,661,916	-	1,661,916
Educational programs	1,343,987	-	1,343,987
Other activities	529,931	-	529,931
Unrestricted	(51,564,959)	(87,621)	(51,652,580)
Total Net Position	\$ 21,610,298	\$ (87,621)	\$ 21,522,677

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, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction	\$ 48,932,237	\$ 155,547	\$ 7,114,156
Instruction-related activities:			
Supervision of instruction	3,462,531	26,601	1,172,562
Instructional library, media, and technology	1,687,156	1,054	71,168
School site administration	3,895,925	(668)	107,004
Pupil services:			
Home-to-school transportation	1,785,739	-	-
Food services	2,461,058	269,194	1,273,236
All other pupil services	5,216,015	42,097	608,514
Administration:			
Data processing	1,279,579	5,264	1,858
All other administration	3,137,206	27,905	273,355
Plant services	9,095,788	159,174	197,760
Ancillary services	1,145,489	40,646	26,048
Community services	531,710	188,807	220,660
Interest on long-term obligations	1,098,982	-	-
Other outgo	1,058,807	327,473	214,770
Total Governmental Activities	<u>84,788,222</u>	<u>1,243,094</u>	<u>11,281,091</u>
Business-Type Activities			
Enterprise services	257,078	-	-
Total School District	<u>\$ 85,045,300</u>	<u>\$ 1,243,094</u>	<u>\$ 11,281,091</u>

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

- Net Position - Beginning as Restated
- Net Position - Ending

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

**Net (Expenses) Revenues and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (41,662,534)	\$ -	\$ (41,662,534)
(2,263,368)	-	(2,263,368)
(1,614,934)	-	(1,614,934)
(3,789,589)	-	(3,789,589)
(1,785,739)	-	(1,785,739)
(918,628)	-	(918,628)
(4,565,404)	-	(4,565,404)
(1,272,457)	-	(1,272,457)
(2,835,946)	-	(2,835,946)
(8,738,854)	-	(8,738,854)
(1,078,795)	-	(1,078,795)
(122,243)	-	(122,243)
(1,098,982)	-	(1,098,982)
(516,564)	-	(516,564)
<u>(72,264,037)</u>	<u>-</u>	<u>(72,264,037)</u>
-	(257,078)	(257,078)
<u>(72,264,037)</u>	<u>(257,078)</u>	<u>(72,521,115)</u>
40,575,067	-	40,575,067
1,056,802	-	1,056,802
1,043,599	-	1,043,599
21,551,644	-	21,551,644
56,934	-	56,934
1,797,904	169,457	1,967,361
<u>66,081,950</u>	<u>169,457</u>	<u>66,251,407</u>
(6,182,087)	(87,621)	(6,269,708)
27,792,385	-	27,792,385
<u>\$ 21,610,298</u>	<u>\$ (87,621)</u>	<u>\$ 21,522,677</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 7,045,247	\$ 1,827,932	\$ 1,881,911
Receivables	3,815,830	118,516	481,625
Due from other funds	117,457	-	-
Stores inventories	-	-	35,097
Total Assets	\$ 10,978,534	\$ 1,946,448	\$ 2,398,633
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,051,593	\$ 284,532	\$ 129,965
Unearned revenue	496,812	-	-
Total Liabilities	6,548,405	284,532	129,965
Fund Balances:			
Nonspendable	10,500	-	35,097
Restricted	1,164,618	1,661,916	2,233,571
Assigned	226,182	-	-
Unassigned	3,028,829	-	-
Total Fund Balances	4,430,129	1,661,916	2,268,668
Total Liabilities and Fund Balances	\$ 10,978,534	\$ 1,946,448	\$ 2,398,633

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

**Total
Governmental
Funds**

\$	10,755,090
	4,415,971
	117,457
	35,097
<u>\$</u>	<u>15,323,615</u>

\$	6,466,090
	496,812
<u></u>	<u>6,962,902</u>

	45,597
	5,060,105
	226,182
<u></u>	<u>3,028,829</u>
<u></u>	<u>8,360,713</u>

<u>\$</u>	<u>15,323,615</u>
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PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds	\$ 8,360,713
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	\$ 139,328,013
Accumulated depreciation is	<u>(47,266,500)</u>
Net Capital Assets	92,061,513
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.	125,026
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	5,671,972
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.	3,460,851
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.	6,649,323
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.	(302,975)
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.	(575,979)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(65,392,524)

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, 2017**

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, including premiums	\$ 22,256,203	
Compensated absences	172,456	
Flex lease	617,581	
Capital leases	1,107,674	
Other postemployment benefits	4,293,708	
	<hr/>	
Total Long-Term Obligations		\$ (28,447,622)
Total Net Position - Governmental Activities		\$ 21,610,298

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, 2017**

	General Fund	Capital Facilities Fund
REVENUES		
Local Control Funding Formula	\$ 57,552,695	\$ -
Federal sources	4,253,490	-
Other State sources	7,058,173	31,800
Other local sources	4,134,988	927,568
Total Revenues	72,999,346	959,368
EXPENDITURES		
Current		
Instruction	46,132,819	-
Instruction-related activities:		
Supervision of instruction	3,344,017	-
Instructional library, media and technology	1,599,381	-
School site administration	3,765,149	-
Pupil services:		
Home-to-school transportation	1,605,635	-
Food services	-	-
All other pupil services	5,006,692	-
Administration:		
Data processing	1,264,633	-
All other administration	2,857,880	78,594
Plant services	7,578,547	1,049,933
Facility acquisition and construction	96,890	2,955,904
Ancillary services	1,157,267	-
Community services	-	-
Other outgo	1,058,807	-
Debt service		
Principal	-	893,121
Interest and other	-	44,141
Total Expenditures	75,467,717	5,021,693
Deficiency of Revenues Over Expenditures	(2,468,371)	(4,062,325)
Other Financing Sources (Uses)		
Transfers in	500,020	360,250
Other sources	-	605,000
Transfers out	(382,461)	(270,000)
Net Financing Sources (Uses)	117,559	695,250
NET CHANGE IN FUND BALANCES	(2,350,812)	(3,367,075)
Fund Balance - Beginning as Restated	6,780,941	5,028,991
Fund Balance - Ending	\$ 4,430,129	\$ 1,661,916

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 57,552,695
1,533,581	5,787,071
255,585	7,345,558
2,428,414	7,490,970
<u>4,217,580</u>	<u>78,176,294</u>
-	46,132,819
34,186	3,378,203
-	1,599,381
-	3,765,149
-	1,605,635
2,306,018	2,306,018
-	5,006,692
-	1,264,633
152,300	3,088,774
247,992	8,876,472
5,669	3,058,463
-	1,157,267
522,653	522,653
-	1,058,807
600,000	1,493,121
549,379	593,520
<u>4,418,197</u>	<u>84,907,607</u>
<u>(200,617)</u>	<u>(6,731,313)</u>
382,461	1,242,731
-	605,000
<u>(590,270)</u>	<u>(1,242,731)</u>
<u>(207,809)</u>	<u>605,000</u>
<u>(408,426)</u>	<u>(6,126,313)</u>
2,677,094	14,487,026
<u>\$ 2,268,668</u>	<u>\$ 8,360,713</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, 2017

Total Net Change in Fund Balances - Governmental Funds **\$ (6,126,313)**
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	\$ 3,175,947	
Depreciation expense	<u>(2,628,368)</u>	
Net Expense Adjustment		547,579

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. (605,000)

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 less than the amounts used by \$372,817. 372,817

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. (2,159,131)

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: 696,959

In the government-wide financial statements, debt premiums are deferred and amortized over the life of the debt using the straight line method. 105,792

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, 2017

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	\$ 600,000
Certificates of participation	340,000
Capital lease and Flex lease obligations	553,121

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.

(505,462)

An internal service fund is used by the District's. The net revenue of the Internal Service Fund is reported with governmental activities.

(2,449)

Change in Net Position of Governmental Activities

\$ (6,182,087)

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, 2017**

	<u>Business-Type Activities - Cafeteria Enterprise Fund</u>	<u>Governmental Activities - Self Insurance Fund</u>
ASSETS		
Current Assets		
Deposits and investments	\$ 26,792	\$ 125,026
Receivables	25,279	-
Stores inventories	14,921	-
Total Assets	<u>66,992</u>	<u>125,026</u>
LIABILITIES		
Current Liabilities		
Accounts payable	37,156	-
Due to other funds	117,457	-
Total Liabilities	<u>154,613</u>	<u>-</u>
NET POSITION		
Restricted	<u>\$ (87,621)</u>	<u>\$ 125,026</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, 2017**

	<u>Business-Type Activities - Cafeteria Enterprise Fund</u>	<u>Governmental Activities - Self Insurance Fund</u>
OPERATING REVENUES		
Local and intermediate sources	\$ 169,457	\$ 4,562
OPERATING EXPENSES		
Payroll costs	152,559	130
Supplies and materials	97,191	5,428
Facility rental	-	1,577
Other operating cost	7,328	750
Total Operating Expenses	<u>257,078</u>	<u>7,885</u>
Operating Loss	<u>(87,621)</u>	<u>(3,323)</u>
NONOPERATING REVENUES		
Interest income	-	874
Change in Net Position	(87,621)	(2,449)
Total Net Position - Beginning	-	127,475
Total Net Position - Ending	<u>\$ (87,621)</u>	<u>\$ 125,026</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, 2017**

	Business-Type Activities - Cafeteria Enterprise Fund	Governmental Activities - Self Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 144,178	\$ 4,587
Cash payments to suppliers of goods or services	(74,956)	(6,178)
Cash payments to employees for services	(152,559)	(130)
Cash payments for facility rentals	-	(1,577)
Other operating cash payments	(7,328)	-
Net Cash Used by Operating Activities	<u>(90,665)</u>	<u>(3,298)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interdistrict loans	117,457	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	-	874
Net Increase(Decrease) in Cash and Cash Equivalents	26,792	(2,424)
Cash and Cash Equivalents - Beginning	-	127,450
Cash and Cash Equivalents - Ending	<u>\$ 26,792</u>	<u>\$ 125,026</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (87,621)	\$ (3,323)
Changes in assets and liabilities:		
(Increase)Decrease in receivables	(25,279)	25
Increase in stores inventories	(14,921)	-
Increase in accounts payable	37,156	-
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (90,665)</u>	<u>\$ (3,298)</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, 2017**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 299,962
LIABILITIES	
Due to student groups	\$ 299,962

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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 \$764,674, liabilities of \$7,460, and fund balance of \$757,214. Revenues and expenditures increased by \$6,282 and \$890,957, respectively.

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, 2017

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).

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.

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. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the Culinary Arts Academy of the District.

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and 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.

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 these funds 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 funds.

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

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

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.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 and discounts are amortized over the life of the debt using the straight-line method.

In governmental fund financial statements, debt premiums, and discounts 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. Discounts 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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Fund Balances - Governmental Funds

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

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

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

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

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 \$4,775,949 of restricted net position.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 and business-type 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 and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type 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.

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Change in Accounting Principles

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

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of 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 District has implemented the provisions of this Statement as of June 30, 2017.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to 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 District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 10,880,116
Business type activities	26,792
Fiduciary funds	299,962
Total Deposits and Investments	<u>\$ 11,206,870</u>

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

Cash on hand and in banks	\$ 299,962
Cash in revolving	10,500
Investments	10,896,408
Total Deposits and Investments	<u>\$ 11,206,870</u>

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$ 10,857,739	\$ 10,857,739	\$ -	\$ -	\$ -

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, 2017

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, 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	Governmental Activities Total	Cafeteria Enterprise Fund
Federal Government					
Categorical aid	\$ 1,054,042	\$ -	\$ 289,057	\$ 1,343,099	\$ -
State Government					
State grants and entitlements	1,612,635	-	56,626	1,669,261	-
Local sources	1,149,153	118,516	135,942	1,403,611	25,279
Total	<u>\$ 3,815,830</u>	<u>\$ 118,516</u>	<u>\$ 481,625</u>	<u>\$ 4,415,971</u>	<u>\$ 25,279</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Balance June 30, 2017
Governmental Activities			
Capital Assets not being depreciated			
Construction in progress	\$ 286,776	\$ -	\$ 286,776
Land	8,938,214	2,203,425	11,141,639
Total Capital Assets Not Being Depreciated	<u>9,224,990</u>	<u>2,203,425</u>	<u>11,428,415</u>
Capital Assets being depreciated			
Land improvements	10,750,763	209,826	10,960,589
Buildings and improvements	109,314,748	621,937	109,936,685
Furniture and equipment	6,861,565	140,759	7,002,324
Total Capital Assets Being Depreciated	<u>126,927,076</u>	<u>972,522</u>	<u>127,899,598</u>
Less Accumulated Depreciation			
Land improvements	10,665,497	140,420	10,805,917
Buildings and improvements	28,968,819	2,268,379	31,237,198
Furniture and equipment	5,003,816	219,569	5,223,385
Total Accumulated Depreciation	<u>44,638,132</u>	<u>2,628,368</u>	<u>47,266,500</u>
Governmental Activities Capital Assets, Net	<u>\$ 91,513,934</u>	<u>\$ 547,579</u>	<u>\$ 92,061,513</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Governmental Activities	
Instruction	\$ 1,708,439
Supervision of instruction	6,572
Instructional library, media, and technology	65,709
School site administration	72,280
Home-to-school transportation	210,269
Other pupil services	183,986
Food services	52,567
All other general administration	78,851
Data processing	13,142
Plant services	236,553
Total Depreciation Expenses Governmental Activities	<u><u>\$ 2,628,368</u></u>

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	<u><u>\$ 117,457</u></u>	<u><u>\$ -</u></u>
Business-Type Activities		
Cafeteria Enterprise Fund	<u><u>\$ -</u></u>	<u><u>\$ 117,457</u></u>
The Cafeteria Enterprise Fund owes the General Fund for a temporary loan.		<u><u>\$ 117,457</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, consist of the following:

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for disallowed expenditures per 2014-2015 CDE audit.	\$ 381,032
The Special Reserve Capital Outlay Non-Major Governmental Fund transferred to the Capital Facilities Fund for reclassified RDA funds.	360,250
The Capital Facilities Fund transferred to the General Fund for Early Learning Academy Portables.	270,000
The Special Reserve Capital Outlay Non-Major Governmental Fund transferred to the General Fund for FEMA reimbursement.	230,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for bad debt.	1,429
The Tax Override Non-Major Governmental Fund transferred to the General Fund to close the fund.	20
Total	<u><u>\$ 1,242,731</u></u>

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Cafeteria Enterprise Fund
Vendor payables	\$ 2,132,976	\$ 284,532	\$ 129,965	\$ 2,547,473	\$ 37,156
Salaries payable	1,343,151	-	-	1,343,151	-
Health and Welfare benefits payable	1,460,679	-	-	1,460,679	-
State principal apportionment	1,114,787	-	-	1,114,787	-
Total	<u><u>\$ 6,051,593</u></u>	<u><u>\$ 284,532</u></u>	<u><u>\$ 129,965</u></u>	<u><u>\$ 6,466,090</u></u>	<u><u>\$ 37,156</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - UNEARNED REVENUE

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

	General Fund
Federal financial assistance	\$ 16,508
State categorical aid	480,304
Total	<u>\$ 496,812</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, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 21,071,407	\$ 505,462	\$ 600,000	\$ 20,976,869	\$ 470,000
Bond premiums	1,385,126	-	105,792	1,279,334	105,792
Certificates of participation	340,000	-	340,000	-	-
Compensated absences	545,273	-	372,817	172,456	-
Flex lease	726,079	-	108,498	617,581	113,202
Capital leases	947,297	605,000	444,623	1,107,674	427,453
Other postemployment benefits	4,990,667	1,673,329	2,370,288	4,293,708	-
Total	<u>\$ 30,005,849</u>	<u>\$ 2,783,791</u>	<u>\$ 4,342,018</u>	<u>\$ 28,447,622</u>	<u>\$ 1,116,447</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, 2017

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2016	Accreted Interest	Redeemed	Bonds Outstanding June 30, 2017
8/1/07	9/1/31	4.00-6.87	\$11,999,871	\$ 2,432,826	\$ 113,246	\$ 375,000	\$ 2,171,072
6/3/10	9/1/45	6.47-6.75	8,000,127	9,933,581	392,216	-	10,325,797
1/26/16	9/1/28	2.00-4.00	8,705,000	8,705,000	-	225,000	8,480,000
Total				<u>\$ 21,071,407</u>	<u>\$ 505,462</u>	<u>\$ 600,000</u>	<u>\$ 20,976,869</u>

Debt Service Requirements to Maturity

Series 2007

Current Interest Portion, required payments:

Fiscal Year	Principal	Interest to Maturity	Total
2018	<u>\$ 425,000</u>	<u>\$ 21,250</u>	<u>\$ 446,250</u>

Capital Appreciation Portion, required payments:

Fiscal Year	Obligation at Maturity	Current Obligation	Interest to Accrete
2030	\$ 1,345,000	\$ 602,829	\$ 742,171
2031	1,395,000	583,947	811,053
2032	1,440,000	559,296	880,704
Total	<u>\$ 4,180,000</u>	<u>\$ 1,746,072</u>	<u>\$ 2,433,928</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Series 2010

Current Interest Portion, required payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity ¹</u>	<u>Total</u>
2018	\$ -	\$ 283,800	\$ 283,800
2019	-	283,800	283,800
2020	-	283,800	283,800
2021	-	283,800	283,800
2022	-	283,800	283,800
2023-2027	-	1,419,000	1,419,000
2028-2032	-	1,419,000	1,419,000
2033-2037	-	1,419,000	1,419,000
2038-2041	4,300,000	996,600	5,296,600
Total	<u>\$ 4,300,000</u>	<u>\$ 6,672,600</u>	<u>\$ 10,972,600</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>Current Obligation</u>	<u>Interest to Accrete</u>
2033-2037	\$ 8,720,000	\$ 2,615,696	\$ 6,104,304
2038-2039	4,085,000	1,073,101	3,011,899
2042-2046 ¹	13,025,814	2,337,000	10,688,814
Total	<u>\$ 25,830,814</u>	<u>\$ 6,025,797</u>	<u>\$ 19,805,017</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>
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	625,000	258,775	883,775
2023-2027	4,070,000	868,000	4,938,000
2028-2029	2,165,000	88,300	2,253,300
Total	<u>\$ 8,480,000</u>	<u>\$ 2,408,950</u>	<u>\$ 10,888,950</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2017, amounted to \$172,456.

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, 2017, future minimum payments were as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 113,202	\$ 25,352	\$ 138,554
2019	118,124	20,432	138,556
2020	123,273	15,297	138,570
2021	128,666	9,940	138,606
2022	134,316	4,347	138,663
Total	<u>\$ 617,581</u>	<u>\$ 75,368</u>	<u>\$ 692,949</u>

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:

Balance, July 1, 2016	Principal <u>\$ 947,297</u>
Additions	605,000
Payments	444,623
Balance, June 30, 2017	<u>\$ 1,107,674</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	\$ 449,687
2019	449,687
2020	130,658
2021	130,658
Total	<u>1,160,690</u>
Less: Amount Representing Interest	53,016
Present Value of Minimum Lease Payments	<u>\$ 1,107,674</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$1,487,936, and contributions made by the District during the year were \$2,186,096 (including the implicit rate subsidy factor of 1.2739). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$185,393 and \$(184,192), respectively, which resulted in a decrease to the net OPEB obligation of \$696,959. As of June 30, 2017, the net OPEB obligation was \$4,293,708. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,500	\$ -	\$ -	\$ 10,500
Stores inventories	-	-	35,097	35,097
Total Nonspendable	<u>10,500</u>	<u>-</u>	<u>35,097</u>	<u>45,597</u>
Restricted				
Legally restricted programs	1,164,618	-	179,369	1,343,987
Capital projects	-	1,661,916	319,253	1,981,169
Debt service	-	-	1,240,115	1,240,115
Food service	-	-	494,834	494,834
Total Restricted	<u>1,164,618</u>	<u>1,661,916</u>	<u>2,233,571</u>	<u>5,060,105</u>
Assigned				
Pupil transportation	118,194	-	-	118,194
Deferred maintenance	89,800	-	-	89,800
Cafeteria program	18,188	-	-	18,188
Total Assigned	<u>226,182</u>	<u>-</u>	<u>-</u>	<u>226,182</u>
Unassigned				
Reserve for economic uncertainties	3,028,829	-	-	3,028,829
Total	<u>\$ 4,430,129</u>	<u>\$ 1,661,916</u>	<u>\$ 2,268,668</u>	<u>\$ 8,360,713</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 11 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District major fund exceeded the budgeted amounts as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 72,991,373	\$ 75,850,178	\$ 2,858,805

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 85 retirees and beneficiaries currently receiving benefits and approximately 525 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 2016-2017, the District contributed \$1,716,066 (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	\$ 1,487,936
Interest on net OPEB obligation	185,393
Adjustment to annual required contribution	(184,192)
Annual OPEB cost	<u>1,489,137</u>
Contributions made	<u>(2,186,096)</u>
Decrease in net OPEB obligation	(696,959)
Net OPEB obligation, beginning of year	4,990,667
Net OPEB obligation, end of year	<u><u>\$ 4,293,708</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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
2017	\$ 1,489,137	\$ 2,186,096	146.80%	\$ 4,293,708
2016	2,102,449	1,432,264	68.12%	4,990,667
2015	1,905,366	1,231,245	64.62%	4,320,482

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 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, 2016	\$ -	\$ 17,338,647	\$ 17,338,647	0.00%	\$ 41,248,832	42.03%

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

In the July 1, 2016, 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, 2017, was 29 years.

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, 2017, 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 2017, 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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 46,221,373	\$ 10,192,810	\$ 1,127,518	\$ 5,036,375
CalPERS	19,171,151	6,413,879	575,979	2,794,728
Total	<u>\$ 65,392,524</u>	<u>\$ 16,606,689</u>	<u>\$ 1,703,497</u>	<u>\$ 7,831,103</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$3,958,385.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 46,221,373
State's proportionate share of the net pension liability associated with the District	26,313,003
Total	<u>\$ 72,534,376</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0571 percent and 0.0568 percent, resulting in a net increase in the proportionate share of 0.0003 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$5,036,375. In addition, the District recognized pension expense and revenue of \$2,543,429 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,958,385	\$ -
Net change in proportionate share of net pension liability	2,559,848	-
Difference between projected and actual earnings on pension plan investments	3,674,577	-
Differences between expected and actual experience in the measurement of the total pension liability	-	1,127,518
Total	<u>\$ 10,192,810</u>	<u>\$ 1,127,518</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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 of Resources
2018	\$ 80,168
2019	80,168
2020	2,136,044
2021	1,378,197
Total	<u>\$ 3,674,577</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 299,676
2019	299,676
2020	299,676
2021	299,676
2022	299,672
Thereafter	(66,046)
Total	<u>\$ 1,432,330</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are 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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 66,522,981
Current discount rate (7.60%)	\$ 46,221,373
1% increase (8.60%)	\$ 29,360,039

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	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	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers 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, 2017, are presented above and the total District contributions were \$1,713,587.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,171,151. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0971 percent and 0.0897 percent, resulting in a net increase in the proportionate share of 0.0074 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$2,794,728. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,713,587	\$ -
Net change in proportionate share of net pension liability	901,003	-
Difference between projected and actual earnings on pension plan investments	2,974,746	-
Differences between expected and actual experience in the measurement of the total pension liability	824,543	-
Changes of assumptions	-	575,979
Total	\$ 6,413,879	\$ 575,979

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 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 of Resources
2018	\$ 417,248
2019	417,248
2020	1,363,868
2021	776,382
Total	\$ 2,974,746

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 400,705
2019	399,457
2020	349,405
Total	<u>\$ 1,149,567</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 28,603,464
Current discount rate (7.65%)	\$ 19,171,151
1% increase (8.65%)	\$ 11,316,894

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Alternative Plan

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Self-Insured Schools of California (SISC) defined benefit plan as its alternative plan. For all employees who were members in the plan prior to January 1, 2014, the District is required to make contributions of 3.7 percent of the employees' salary. For all employees who entered the plan subsequent to January 1, 2014, the District is required to make contributions of 2.1 percent of the employees' salary and the employee is required to contribute 1.6 percent. There is no specified length of time an employee must work for the District in order to receive benefits. The benefits are 100 percent vested from the date of participation. The District made contributions of \$48,067 to this plan during the fiscal year ended June 30, 2017, of which \$13,471 was the employee portion. Copies of the SISC defined benefit plan annual financial report may be obtained from the SISC executive office.

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 \$2,219,380 (8.828 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, 2017.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the District made payments of \$6,516,745, \$1,146,360, and \$380,452 to SISC III, SIPE, and SISC II, respectively for its health, workers' compensation, and property liability coverage.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District had a prior year accounts receivable carryover balance that will not be recognized. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 28,653,573
Restatement - Accounts Receivable	(861,188)
Net Position - Beginning as Restated	<u>\$ 27,792,385</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances

Fund Balance - General Fund Beginning	\$ 7,642,129
Restatement - General Fund Accounts Receivable	(861,188)
Fund Balance - General Fund Beginning as Restated	<u>\$ 6,780,941</u>

REQUIRED SUPPLEMENTARY INFORMATION

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable (Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 56,912,399	\$ 58,493,514	\$ 57,552,695	\$ (940,819)
Federal sources	3,672,971	4,598,862	4,253,490	(345,372)
Other State sources	4,668,049	5,313,929	7,058,173	1,744,244
Other local sources	3,589,633	4,134,562	4,134,988	426
Total Revenues	68,843,052	72,540,867	72,999,346	458,479
EXPENDITURES				
Current				
Certificated salaries	31,306,578	31,434,520	32,077,883	(643,363)
Classified salaries	12,289,302	11,759,603	12,254,386	(494,783)
Employee benefits	15,650,480	15,391,551	17,645,415	(2,253,864)
Books and supplies	3,088,218	4,997,097	4,025,653	971,444
Services and operating expenditures	6,793,241	8,169,351	8,431,442	(262,091)
Other outgo	862,341	682,090	906,507	(224,417)
Capital outlay	18,882	176,129	126,431	49,698
Total Expenditures	70,009,042	72,610,341	75,467,717	(2,857,376)
Deficiency of Revenues Over Expenditures	(1,165,990)	(69,474)	(2,468,371)	(2,398,897)
Other Financing Sources (Uses)				
Transfers in	500,000	500,000	500,020	20
Transfers out	-	(381,032)	(382,461)	(1,429)
Net Financing Sources (Uses)	500,000	118,968	117,559	(1,409)
NET CHANGE IN FUND BALANCES	(665,990)	49,494	(2,350,812)	(2,400,306)
Fund Balance - Beginning as Restated	6,780,941	6,780,941	6,780,941	-
Fund Balance - Ending	\$ 6,114,951	\$ 6,830,435	\$ 4,430,129	\$ (2,400,306)

See accompanying note to required supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit 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, 2016	\$ -	\$ 17,338,647	\$ 17,338,647	0.00%	\$ 41,248,832	42.03%
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%

See accompanying note 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, 2017

	<u>2017</u>	<u>2016</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.0571%</u>	<u>0.0568%</u>
District's proportionate share of the net pension liability (asset)	\$ 46,221,373	\$ 38,266,246
State's proportionate share of the net pension liability (asset) associated with the District	<u>26,313,003</u>	<u>20,238,626</u>
Total	<u>\$ 72,534,376</u>	<u>\$ 58,504,872</u>
District's covered - employee payroll	<u>\$ 28,981,044</u>	<u>\$ 25,646,757</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>159.49%</u>	<u>149.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0971%</u>	<u>0.0897%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 19,171,151</u>	<u>\$ 13,224,095</u>
District's covered - employee payroll	<u>\$ 11,681,877</u>	<u>\$ 9,936,479</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>164.11%</u>	<u>133.09%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

2015

0.0523%

\$ 30,558,899

18,452,783

\$ 49,011,682

\$ 23,775,939

128.53%

77%

0.0889%

\$ 10,087,174

\$ 9,366,623

107.69%

83%

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

	<u>2017</u>	<u>2016</u>
CalSTRS		
Contractually required contribution	\$ 3,958,385	\$ 3,109,666
Contributions in relation to the contractually required contribution	<u>3,958,385</u>	<u>3,109,666</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 31,465,700</u>	<u>\$ 28,981,044</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>
CalPERS		
Contractually required contribution	\$ 1,713,587	\$ 1,383,952
Contributions in relation to the contractually required contribution	<u>1,713,587</u>	<u>1,383,952</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 12,338,616</u>	<u>\$ 11,681,877</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<u>11.847%</u>

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

See accompanying note to required supplementary information.

2015

\$ 2,277,432

2,277,432

\$ -

\$ 25,646,757

8.88%

\$ 1,169,623

1,169,623

\$ -

\$ 9,936,479

11.771%

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

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

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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:			
Title I - Part A, Basic	84.010	14329	\$ 1,584,336
Title I - Part C, Migrant Education	84.011	14326	196,237
Title I - Part C, Migrant Education - Even Start	84.011	14768	43,458
Title I - Part G, Advance Placement Incentive Program	84.330	14831	3,762
Title II - Part A, Supporting Effective Instruction	84.367	14341	185,072
Title II - Part B, Math and Science Partnerships	84.366	14512	405,870
Title III - English Language Acquisition - LEP	84.365	14346	148,937
Title III - English Language Acquisition - IEP	84.365	15146	9,273
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	1,093,139
Special Education, Basic Local Assistance, Private School	84.027	10115	5,657
Special Education, Preschool Grants	84.173	13430	69,851
Special Education, Preschool Local Entitlement	84.027A	13682	205,050
Subtotal Special Education Cluster			<u>1,373,697</u>
Vocational Educational Grants Technology Secondary II	84.048	14894	58,907
Total U.S. Department of Education			<u>4,009,549</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health			
Care Services:			
Child Care and Development Block Grant	93.596	13609	99,345
Medi-Cal Administrative Activities	93.778	10060	128,433
Medi-Cal Billing	93.778	10013	115,508
Total U.S. Department of Health and Human Services			<u>343,286</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	935,549
Especially Needy Breakfast	10.553	13526	397,382
Basic Breakfast	10.553	13525	1,414
Meals Supplements - Snack	10.555	13391	18,080
Food Distribution - Commodities	10.555	13391	81,811
Subtotal Child Nutrition Cluster			<u>1,434,236</u>
Total U.S. Department of Agriculture			<u>1,434,236</u>
Total Expenditures of Federal Awards			<u>\$ 5,787,071</u>

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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, one independent study learning center, and an online school for grades 6-12. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Field Gibson	President	2018
Dave Lambert	Clerk	2020
Chris Bausch	Member	2020
Tim Gearhart	Member	2018
Dr. Kathleen Hall	Member	2018
Joel Peterson	Member	2020
Joan Summers	Member	2020

ADMINISTRATION

Chris Williams	Superintendent
Kenneth Duane Wolgamott	Chief Business Officer
Frank Panian	Chief Human Resources Officer
Babette DeCou	Chief Academic Officer
Laura Becker	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, 2017**

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	1,923.02	1,893.85	1,894.15	1,893.85
Fourth through sixth	1,444.95	1,418.81	1,421.40	1,418.81
Seventh and eighth	994.10	972.72	975.99	972.72
Ninth through twelfth	2,221.82	2,143.01	2,161.75	2,133.76
Total Regular ADA	<u>6,583.89</u>	<u>6,428.39</u>	<u>6,453.29</u>	<u>6,419.14</u>
Extended Year Special Education				
Transitional kindergarten through third	2.99	2.99	3.93	3.93
Fourth through sixth	0.95	0.95	1.65	1.65
Seventh and eighth	0.77	0.77	1.38	1.38
Ninth through twelfth	0.82	0.82	2.33	2.33
Total Extended Year Special Education	<u>5.53</u>	<u>5.53</u>	<u>9.29</u>	<u>9.29</u>
Special Education, Nonpublic, Nonsectarian Schools				
Seventh and eighth	0.88	0.93	0.88	0.93
Ninth through twelfth	4.08	4.19	4.08	4.19
Total Special Education, Nonpublic, Nonsectarian Schools	<u>4.96</u>	<u>5.12</u>	<u>4.96</u>	<u>5.12</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Seventh and eighth	0.11	0.11	0.11	0.11
Ninth through twelfth	0.79	0.79	0.79	0.79
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.90</u>	<u>0.90</u>	<u>0.90</u>	<u>0.90</u>
Total ADA	<u><u>6,595.28</u></u>	<u><u>6,439.94</u></u>	<u><u>6,468.44</u></u>	<u><u>6,434.45</u></u>

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

Grade Level	1986-1987	2016-2017	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	53,625	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		53,630	180	N/A	Complied
Grade 2		53,630	180	N/A	Complied
Grade 3		53,630	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,525	180	N/A	Complied
Grade 5		56,525	180	N/A	Complied
Grade 6		59,064	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		59,064	180	N/A	Complied
Grade 8		59,064	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,102	180	N/A	Complied
Grade 10		65,102	180	N/A	Complied
Grade 11		65,102	180	N/A	Complied
Grade 12		65,102	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, 2017**

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

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2017, Unaudited Actuals	\$ 6,406,104
Decrease in:	
Accounts receivable - prior year receivable reversal	(861,188)
Increase in:	
Accounts payable - Local Control Funding Formula	<u>(1,114,787)</u>
Balance, June 30, 2017, Audited Financial Statement	<u><u>\$ 4,430,129</u></u>

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

	(Budget) 2018 ^{1,4}	2017 ⁴	2016 ^{4,6}	2015 ⁴
GENERAL FUND				
Revenues ⁵	\$ 71,066,847	\$ 72,993,084	\$ 67,752,178	\$ 59,520,406
Other sources and transfers in	80,000	500,000	882,143	22,301
Total Revenues ³	71,146,847	73,493,084	68,634,321	59,542,707
Expenditures	70,494,121	74,576,760	68,957,714	57,300,099
Other uses and transfers out	-	382,461	118,124	947,614
Total Expenditures and Other Uses ³	70,494,121	74,959,221	69,075,838	58,247,713
INCREASE/(DECREASE) IN FUND BALANCE	\$ 652,726	\$ (1,466,137)	\$ (441,517)	\$ 1,294,994
ENDING FUND BALANCE	\$ 4,325,641	\$ 3,672,915	\$ 5,139,052	\$ 5,580,569
AVAILABLE RESERVES ²	\$ 5,675,719	\$ 3,028,829	\$ 5,232,742	\$ 6,051,333
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	8.1%	4.0%	7.6%	10.4%
LONG-TERM OBLIGATIONS	Not Available	\$ 28,447,622	\$ 30,005,849	\$ 27,896,556
AVERAGE DAILY ATTENDANCE AT P-2	6,696	6,468	6,321	6,242

The General Fund balance has decreased by \$1,907,654 over the past two years. The fiscal year 2017-2018 budget projects an increase of \$652,726 (17.8 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 deficits in two of the past three years but anticipates incurring an operating surplus during the 2017-2018 fiscal year. Total long-term obligations have increased by \$551,066 over the past two years.

Average daily attendance has increased by 226 over the past two years. Additional growth of 228 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

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

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

⁵ Revenues for the 2016 fiscal year have been restated, reduced, due to an accounts receivable that will not be recognized in the amount of \$861,188.

⁶ Fund balance was restated for the year ending June 30, 2016, as described in Note 17 of the Notes to Financial Statements.

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

	Child Development Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	\$ 54,676	\$ 267,867	\$ 319,253
Receivables	140,153	341,472	-
Stores inventories	-	35,097	-
Total Assets	<u>\$ 194,829</u>	<u>\$ 644,436</u>	<u>\$ 319,253</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,460	\$ 114,505	\$ -
Fund Balances:			
Nonspendable	-	35,097	-
Restricted	179,369	494,834	319,253
Total Fund Balances	<u>179,369</u>	<u>529,931</u>	<u>319,253</u>
Total Liabilities and Fund Balances	<u>\$ 194,829</u>	<u>\$ 644,436</u>	<u>\$ 319,253</u>

See accompanying note to supplementary information.

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ 1,240,115	\$ -	\$ 1,881,911
-	-	-	481,625
-	-	-	35,097
<u>\$ -</u>	<u>\$ 1,240,115</u>	<u>\$ -</u>	<u>\$ 2,398,633</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,965</u>
-	-	-	35,097
-	1,240,115	-	2,233,571
<u>-</u>	<u>1,240,115</u>	<u>-</u>	<u>2,268,668</u>
<u>\$ -</u>	<u>\$ 1,240,115</u>	<u>\$ -</u>	<u>\$ 2,398,633</u>

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, 2017**

	Child Development Fund	Cafeteria Fund	Building Fund
REVENUES			
Federal sources	\$ 99,345	\$ 1,434,236	\$ -
Other State sources	140,579	107,763	-
Other local sources	497,533	867,759	2,225
Total Revenues	<u>737,457</u>	<u>2,409,758</u>	<u>2,225</u>
EXPENDITURES			
Current			
Instruction-related activities:			
Supervision of instruction	34,186	-	-
Pupil services:			
Food services	-	2,306,018	-
Administration:			
All other administration	32,178	120,122	-
Plant services	30,701	217,291	-
Facility acquisition and construction	-	-	5,669
Community services	522,653	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>619,718</u>	<u>2,643,431</u>	<u>5,669</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>117,739</u>	<u>(233,673)</u>	<u>(3,444)</u>
Other Financing Sources (Uses)			
Transfers in	-	382,461	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>382,461</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	117,739	148,788	(3,444)
Fund Balance - Beginning	61,630	381,143	322,697
Fund Balance - Ending	<u>\$ 179,369</u>	<u>\$ 529,931</u>	<u>\$ 319,253</u>

See accompanying note to supplementary information.

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,533,581
-	7,243	-	255,585
4,102	1,056,775	20	2,428,414
<u>4,102</u>	<u>1,064,018</u>	<u>20</u>	<u>4,217,580</u>
-	-	-	34,186
-	-	-	2,306,018
-	-	-	152,300
-	-	-	247,992
-	-	-	5,669
-	-	-	522,653
-	600,000	-	600,000
-	549,379	-	549,379
<u>-</u>	<u>1,149,379</u>	<u>-</u>	<u>4,418,197</u>
4,102	(85,361)	20	(200,617)
-	-	-	382,461
<u>(590,250)</u>	<u>-</u>	<u>(20)</u>	<u>(590,270)</u>
<u>(590,250)</u>	<u>-</u>	<u>(20)</u>	<u>(207,809)</u>
(586,148)	(85,361)	-	(408,426)
586,148	1,325,476	-	2,677,094
<u>\$ -</u>	<u>\$ 1,240,115</u>	<u>\$ -</u>	<u>\$ 2,268,668</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-1987 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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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**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, the business-type 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, 2017, 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 5, 2017.

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 5, 2017.

Purpose of This Report

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

Varinuk, Trine, Day + Co. LLP

Fresno, California
December 5, 2017



**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, 2017. 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, 2017.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Varinick, Trine, Day & Co. LLP

Fresno, California
December 5, 2017



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Paso Robles Joint Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about 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 opinions. Our audit does not provide a legal determination of Paso Robles Joint Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Attendance Accounting and Reporting and Proper Expenditure of Education Protection Account Funds

As described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 through 2017-003, Paso Robles Joint Unified School District did not comply with requirements regarding Attendance Accounting and Reporting and Proper Expenditure of Education Protection Account Funds. Compliance with such requirements is necessary, in our opinion, for Paso Robles Joint Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on Attendance Accounting and Reporting and Proper Expenditure of Education Protection Account Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Paso Robles Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

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, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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:

	<u>Procedures Performed</u>
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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes

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 offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

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.

Varinuk, Trine, Day + Co. LLP

Fresno, California
December 5, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>84.010</u>	<u>Title I - Part A, Basic</u>
<u>84.366</u>	<u>Title II - Part B, Math and Science Partnerships</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>
Unmodified for all programs except for the following programs which were qualified:	

<u>Name of Program</u>
<u>Attendance Accounting and Reporting</u>
<u>Proper Expenditure of Education Protection Account Funds</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

2017-001 10000

Attendance Accounting and Reporting

Criteria

According to *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2016-2017*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA. [*Education Code* Sections 41341 (a)(1) and 14503 (a)]

Condition

During our audit of the Second Period (P-2) Attendance Report and the Annual Attendance Report, we determined the District incorrectly calculated ADA for several line items. The following table represents the changes made to the original P-2 and Annual reports as a result of audit procedures.

Second Period Attendance Report						
Reporting Line & Gradespan	Original P-2	P-2 per Audit	Difference	Dissallowed ADA from State Finding 2017-002	Final Audited P-2	Estimated Dollar Value (including 2017-2)
A-1 (funding based on P-2 ADA)						
TK-3	1,923.02	1,894.15	(28.87)	-	1,894.15	\$ (225,771)
4-6	1,444.95	1,421.40	(23.55)	-	1,421.40	(174,973)
7-8	994.10	975.99	(18.11)	-	975.99	(136,953)
9-12	2,221.82	2,171.05	(50.77)	(9.30)	2,161.75	(506,221)
A-2 (funding based on Annual ADA)						
TK-3	2.99	3.93	0.94	-	3.93	-
4-6	0.95	1.65	0.70	-	1.65	-
7-8	0.77	1.38	0.61	-	1.38	-
9-12	0.82	2.33	1.51	-	2.33	-
Dollar Value for P-2 mistated ADA						<u><u>\$ (1,043,918)</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Annual Attendance Report						
Reporting Line & Gradespan	Original Annual	Annual per Audit	Difference	Dissallowed ADA from State Finding 2017-002	Final Audited Annual	Estimated Dollar Value (including 2017-2)
A-1 (funding based on P-2 ADA)						
9-12	2,143.01	2,143.01	-	(9.25)	2,133.76	\$ -
A-2 (funding based on Annual ADA)						
TK-3	2.99	3.93	0.94	-	3.93	7,351
4-6	0.95	1.65	0.70	-	1.65	5,202
7-8	0.77	1.38	0.61	-	1.38	4,614
9-12	0.82	2.33	1.51	-	2.33	12,727
Dollar Value for Annual mistated ADA						<u>\$ 29,894</u>
Total Dollar Value (Questioned Cost)						<u>\$ (1,014,024)</u>

Effect

The District must revise their Second Period Attendance Report and the Annual Period Attendance Report to reflect the above changes. The estimated fiscal impact amounted to a net decrease of approximately \$1,014,024 based on a comparison of State apportionment funding calculated using the original and audited average daily attendance figures.

Cause

For line A-1 the Second Period Attendance Report, the district performed an unnecessary calculation to year to date Average Daily Attendance (ADA) figures reported by the attendance system, Aeries. Every month the District would convert the monthly ADA into a daily rate. During the preparation of the Second Period Attendance Report, the District took the average of the daily rates calculated previously, divided that figure by eight (total attendance months in period), and then multiplied it by the P2 divisor (142). This calculation resulted in overstated ADA being reported.

For line A-2 of the Second Period Attendance Report, during the calculation of the ADA, the district used incorrect data as part of the calculation. Specifically, the report used by the District has several columns that report different aspects of the attendance of the program. While performing the ADA calculation, the District used figures from the wrong column. This resulted in understated ADA being reported.

For line A-1 of the Annual Period Attendance Report, this misstated ADA was due to an instance discussed in depth at State Finding 2017-002.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

For line A-2 of the Annual Period Attendance Report, during the calculation of the ADA, the district used incorrect data as part of the calculation. Specifically, the report used by the District has several columns that reports different aspects of the attendance of the program. While performing the ADA calculation, the District used figures from the wrong column. This resulted in understated ADA being reported.

Recommendation

The District needs to revise the Second Period Attendance Report and the Annual Period Attendance Report to reflect the correct ADA.

Corrective Action Plan

Revised P-2 and Annual Attendance Reports have been submitted to the San Luis Obispo County Office of Education. Corrections have been made to the procedures used and staff assigned to process the Attendance Reports. Also, 2017-2018 ADA projections have been adjusted to align with the adjusted 2016-17 ADA percentages.

2017-002 10000

Attendance Accounting and Reporting

Criteria

According to *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2016-2017*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, the monthly site summaries used for summarizing attendance for the P-2 and Annual Attendance Reports should provide accurate information. In addition, districts are required to abide by all procedures approved by the California Department of Education (CDE) when the District applied for approval of its online attendance system.

Condition

During our audit of the attendance system at Paso Robles High School, we discovered the site was not following the online attendance policies that were approved by the CDE. These policies require controls in place to ensure that any student, on any given day, that had only one period of attendance was actually present for that period or if the attendance was not reported correctly by the teacher.

Effect

We determined an error rate for the periods we tested and applied that rate to reported average daily attendance for both the Second Period of Attendance and the Annual Period of Attendance for Paso Robles High School. For the Second Period of Attendance, the resulting effect of that error rate was a decrease in the Line A-1, grades 9-12, of 9.30 ADA. For the Annual Period of Attendance, the resulting effect of that error rate was a decrease in the Line A-1, grades 9-12, of 9.25 ADA.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The estimated fiscal impact is \$78,367.

Cause

The site is not following procedures that include printing a "students with one or more unverified period absences" report on a daily basis and following up on all such instances noted to verify that students who were marked absent for all periods except one were actually present for that one period.

Recommendation

The attendance staff should implement procedures that include printing a "students with one or more unverified period absences" report on a daily basis and following up with teachers and parents on all such instances noted to verify that students who were marked absent for all periods except one were actually present for that one period. If it is determined that a student was not actually present for that one period or if it cannot be determined, then the attendance staff should modify attendance in the system to report that student with an all day absence. All reports and related notations must be retained for audit purposes.

Corrective Action Plan

The revised P-2 and Annual Attendance Reports that were submitted to the San Luis Obispo County Office of Education included these adjustments. Corrections have been made to the procedures used at PRHS and attendance reports are being run regularly to monitor this issue.

2017-003 40000

Proper Expenditure of Education Protection Account Funds

Criteria

Proposition 30, *The Schools and Local Public Safety Protection Act of 2012*, approved by the voters on November 6, 2012, temporarily increases the state's sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers. The new revenues generated from Proposition 30 are deposited into a newly created state account called the Education Protection Account (EPA). The California Constitution, Article XIII, Section 36(e), Paragraph (6) states "A community college district, county office of education, school district, or charter school shall have sole authority to determine how the moneys received from the Education Protection Account are spent in the school or schools within its jurisdiction, provided, however, that the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the Education Protection Account for salaries or benefits of administrators or any other administrative costs. Each community college district, county office of education, school district, and charter school shall annually publish on its Internet Web site an accounting of how much money was received from the Education Protection Account and how that money was spent."

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Condition

During our audit of EPA funds, we discovered the District used a portion of the funds for general administration which is not compliant with the use of funds outlined in the California Constitution.

Effect

The disbursement of EPA funds for general administrative costs has made the District not in compliance with the funding requirements.

Cause

There is an internal control deficiency that allowed the funds to be incorrectly charged for non-qualifying expenditures.

Questioned Cost

The amount the District expended for school administration was \$3,900.

Recommendation

The District must have proper internal controls to ensure compliance with all State laws and regulations.

Corrective Action Plan

Internal controls have been modified and EPA fund expenditures are now in line with all State laws and regulations.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

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



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

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, 2017, 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 matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2017, on the government-wide financial statements of the District.

PASO ROBLES HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Stale Dated Checks

Observation

During our audit of the outstanding check listing for the September 2016 bank reconciliation, we discovered 19 checks that were over six months old, making the probability of them clearing the account quite low. Specifically, the checks dated back to May 2014 and totaled \$2,783.71.

Recommendation

Outstanding checks over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliation. The amounts should be credited to the appropriate account and described as "outstanding check written off-cleared".

GEORGE FLAMSON MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Disbursements

Observation

During our audit of the site's 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 had dates to accompany the approval signatures. Without being dated, we were unable to confirm if purchases were pre-approved. Additionally, found instances where there was no invoice available as supporting documentation for the purchase.

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. Each approving person should sign and date the Purchase Order form. In order to provide proper controls over spending, the site should ensure there is an adequate invoice that supports the disbursement amount.

Revenue Potentials

Observation

Fundraiser Approval Forms, "Revenue Potential" forms, are not consistently used by the site to document fundraising revenues and expenditures and when used are not always completed in full (the recap section is blank). Additionally, the bookkeeper is not given copies of the approved form to know when to expect deposits from clubs.

Recommendation

Since the revenue potential form is a vital internal control tool, it should be used to document potential revenues and expenditures including actual revenue and actual expenditures. The bookkeeper should also be made aware of any fundraising events to know when funds should be coming in. Using the form allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The "Revenue Potential" form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth. The "Revenue Potential" form used at the site should contain four major elements. These are:

- Potential Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from this fundraiser if all the items were sold and all the money was turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks to cost so that profits can be determined.
- Receipts/Fundraiser Deposits-This records all deposits turned in which are from funds generated from the sale. The receipt number issued to the advisor should log the date and deposit amount. This is necessary to be able to recap the deposits of the sale and to trace these deposits to the appropriate accounts at the end of the sale to the appropriate accounts to ensure that all postings were correct.
- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the receipts/fundraiser deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.
- Recap-This section figures the net profit of the sale. Further fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Constitutions

Observation

During our audit, we found that the Associated Student Body does not have a Constitution or Charter on file at the site. This document is necessary for the recognition of the Associated Student Body organization at the site. As stated in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, in order for the Student Body organization to be recognized, they must submit for approval a constitution or charter to the board designated authority.

Recommendation

The Associated Student Body organization should submit for approval a constitution or charter to the board, in order to be recognized.

Budgeting

Observation

During our audit, we found that the student body organization at the site does not incorporate a budget into their control procedures as suggested in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org, as prepared by the School Business Services Division of the California Department of Education.

Recommendation

The manual suggests preparing budgets to control and monitor the financial activities of the student body organizations. The ASB (including all clubs) should prepare a budget at the beginning of the school year. Some aspects that the Department of Education highlights are:

- Updates will be necessary to the budget as circumstances change; the budgeting procedures are an ongoing process.
- The preliminary budget should include the beginning balances of the organizations, estimated sources of income, and estimated expenditures.
- The surplus left over in the accounts at the end of the year must be kept at a minimum. The underlying focus of a student body is that the funds generated by a group of students should be spent during the same year for the benefit of those students.
- The budget should be compared regularly to the actual financial activities of the organizations. One reason for this is to ensure that no organization enters into a deficit spending situation during the year.

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

Varinck, Trine, Day + Co. LLP

Fresno, California
December 5, 2017