

**PASO ROBLES JOINT
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paso Robles Joint Unified School District (the District) as of and for the year ended June 30, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paso Robles Joint Unified School District, as of June 30, 2014, 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 required supplementary information, such as management's discussion and analysis on pages 5 through 12, budgetary comparison information and other postemployment benefit information on pages 53 and 54, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Paso Robles Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paso Robles Joint Unified School District's internal control over financial reporting and compliance.

Vannink, Trine, Day & Co., LLP

Fresno, California
December 12, 2014



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, 2014. It reflects dedication of the district to maintain fiscal solvency through effective and efficient district operations. Please read it in conjunction with the district's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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 (Revenue Limit) finance most of these activities in conjunction with Federal and State entitlement and grants.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL HIGHLIGHTS

- The District presented an Adopted Budget for 2013-2014, projecting an increase in Unrestricted Fund Balance of approximately \$600,000. After budget adoption, agreements were made with both bargaining units to reduce the previously negotiated furlough days (six days for certificated, nine days for classified).
- The District certified both the 1st and 2nd Interim Financial Reports as "Qualified", meaning there was concern that the District would be unable to meet its obligations in either the current or following fiscal year. However, at fiscal year-end, the unrestricted expenses (including contributions) exceeded unrestricted revenues by \$624,000. The unrestricted Ending Balance for 13-14 was \$2,627,955 which represents 4.77 percent of actual expenditures. The budget for 2014-2015 projected expenditures within revenues with nearly the same percent in unrestricted Fund Balance, anticipating an unrestricted Ending Balance of 4.74 percent.
- Enrollment continued a trend of decline, however, that decline has slowed significantly. The drop from 2011-2012 was 146 in 2012-2013; in 2013-2014 the decline slowed to only 68. The District's enrollment has dropped from a high of 6,910 in 2007-08 to 6,533 in 2013-2014. It is anticipated the enrollment will be nearly stable in 2014-2015. Part of this decline is due to a loss in students to a recently opened charter school in a neighboring district.
- The final modernization projects, funded with a combination of Measure T Bond, state modernization and state Career Technical Education funds reached completion in October 2013. The remaining new construction project, the PE Facility and Practice Gymnasium (Gym") went through the bid process in January 2014, and begin construction in March 2014. The Project is the final major construction project funded by Measure T and is scheduled for completion for the 2015-2016 school year.
- The District completed its first 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 55 percent of the students enrolled in addition to the base grants for all students. This funding provides nearly 70 percent of the District's resources.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

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

Net Position			
Government Activities			
As of June 30, 2013 and 2014			
	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>Difference</u>
Current and Other Assets	\$ 13,150,564	\$ 17,301,425	\$ 4,150,861
Accounts Receivable	6,108,609	3,321,513	(2,787,096)
Net Fixed Assets	<u>93,192,560</u>	<u>92,614,577</u>	<u>(577,983)</u>
Total Assets	<u>112,451,733</u>	<u>113,237,515</u>	<u>785,782</u>
Current Liabilities	5,441,197	7,004,601	1,563,404
Long-Term Obligations:			
Due within one year	730,220	820,904	90,684
Due after one year	<u>26,656,399</u>	<u>26,768,594</u>	<u>112,195</u>
Total Liabilities	<u>32,827,816</u>	<u>34,594,099</u>	<u>1,766,283</u>
Net Position			
Net investment in capital assets	74,082,535	72,810,592	(1,271,943)
Restricted	3,863,300	4,487,253	623,953
Unrestricted	<u>1,678,082</u>	<u>1,345,571</u>	<u>(332,511)</u>
Total Net Position	<u>\$ 79,623,917</u>	<u>\$ 78,643,416</u>	<u>\$ (980,501)</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Changes in Net Position

The District's total revenues (governmental activities) decreased to \$61.3 million. Property taxes accounted for 52 percent of the District's revenue. An additional 28 percent came from State and Federal aid/grants not for specific programs, 15 percent from operating grants, and the remainder came from fees charged for services and miscellaneous sources.

Revenue Comparison June 30, 2013 Compared With June 30, 2014

	June 30, 2013	June 30, 2014	Difference
Charges for Services	\$ 2,345,216	\$ 2,270,227	\$ (74,989)
Operating Grants and Contributions	9,945,768	9,068,981	(876,787)
Capital Grants and Contributions	2,781	301	(2,480)
Federal and State Aid not Restricted for a Specific Purpose	15,492,359	16,961,442	1,469,083
Property Taxes	31,045,017	31,701,582	656,565
Other General Revenues	2,074,263	1,265,918	(808,345)
Total Revenues	\$ 60,905,404	\$ 61,268,451	\$ 363,047

The total cost of all programs and services (governmental activities) was \$62.2 million. The District's expenses are predominantly related to educating K-12 regular education, special education, alternative education, adult education, construction projects and after school child care students. The purely administrative activities of the District accounted for approximately six percent of total expenses.

Expense Comparison June 30, 2013 Compared With June 30, 2014

	June 30, 2013	June 30, 2014	Difference
Instruction Related	\$ 38,205,951	\$ 40,277,853	\$ 2,071,902
Student Support Services	3,973,560	4,002,868	29,308
Administration	3,063,666	3,657,092	593,426
Plant Services	8,159,642	8,419,933	260,291
Food Services	2,135,059	2,175,211	40,152
Other	3,844,231	3,715,995	(128,236)
Total Expenses	\$ 59,382,109	\$ 62,248,952	\$ 2,866,843

Total expenses surpassed revenues, decreasing net position by \$1.0 million primarily due to State grants for new construction and modernization projects.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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 \$13.5 million which is down three percent from the prior year. The District's cost cutting measures are the largest contributing factor to this increase.

Summary of Fund Balances
All Funds
June 30, 2013 Compared With June 30, 2014

	June 30, 2013	June 30, 2014	Difference
General ¹	\$ 5,546,020	\$ 5,668,883	\$ 122,863
Child Development	793	1,141	348
Cafeteria	519,152	623,584	104,432
Building	4,289,205	3,450,513	(838,692)
Capital Facilities	1,086,608	1,199,091	112,483
County School Facilities	400,301	1,163	(399,138)
Special Reserve Capital Outlay	1,118,203	1,554,171	435,968
Bond Interest and Redemption	989,280	1,014,663	25,383
Total	\$ 13,949,562	\$ 13,513,209	\$ (436,353)

¹ Includes the Districts Funds 15-Pupil Transportation Fund and Fund 17-Special Reserve for other than 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 State funding due to the passage of Proposition 30
- 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
- Changes to Revenue Limit as a result of declining enrollment and its impact on average daily attendance
- Changes made to salary and benefits accounts initiated by a newly revived position control system
- Changes made to revenue and expenditures at third interim were in preparation for estimated and unaudited actuals

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2014, the District had invested \$92.6 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, 2013 Compared With June 30, 2014

	June 30, 2013	June 30, 2014	Difference
Land	\$ 8,938,214	\$ 8,938,214	\$ -
Improvement and Sites	10,444,517	10,607,154	162,637
Buildings	93,165,840	93,631,775	465,935
Equipment	6,062,974	6,215,651	152,677
Work in Progress	11,519,490	12,483,675	964,185
Less: Accumulated Depreciation	(36,938,475)	(39,261,892)	(2,323,417)
Total	\$ 93,192,560	\$ 92,614,577	\$ (577,983)

Long-Term Obligations

At year-end, the District had \$27.6 million in long-term obligations outstanding, an increase of 0.74 percent from last year due to general obligation bond accreted interest, and other postemployment benefits.

Summary of Outstanding Long-Term Obligations June 30, 2013 Compared With June 30, 2014

	June 30, 2013	June 30, 2014	Difference
General Obligation Bonds	\$ 20,763,014	\$ 20,997,025	\$ 234,011
Bond Premium	217,466	210,723	(6,743)
Certificates of Participation	1,150,000	910,000	(240,000)
Compensated Absences	448,363	522,162	73,799
Flex Lease - CSBA	1,025,347	929,772	(95,575)
Capital Leases	243,403	206,978	(36,425)
Early Retirement Incentives	337,954	166,477	(171,477)
Other Postemployment Benefits	3,201,072	3,646,361	445,289
Total	\$ 27,386,619	\$ 27,589,498	\$ 202,879

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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 55 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 district, 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 2013-2014 year the District received 11.78 percent of "the gap" and remains only 80 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 experiencing declining enrollment. Declines that had been averaging ½ percent for the previous four years jumped to 2.6 percent for the 2012-2013 year, due to the opening of a charter school in a neighboring district. The 2013-2014 decline settled at 1.1 percent. 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 Sandra Lepley, Interim Chief Business Officer at (805) 769-1000 Ext. 30106, or Karin Bruck, 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, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 17,259,502
Receivables	3,321,513
Stores inventories	41,923
Nondepreciable capital assets	21,421,889
Capital assets being depreciated	110,454,580
Accumulated depreciation	<u>(39,261,892)</u>
Total Assets	<u>113,237,515</u>
LIABILITIES	
Accounts payable	6,865,402
Unearned revenue	139,199
Current portion of long-term obligations	820,904
Noncurrent portion of long-term obligations	<u>26,768,594</u>
Total Liabilities	<u>34,594,099</u>
NET POSITION	
Net investment in capital assets	72,810,592
Restricted for:	
Debt service	1,014,663
Capital projects	1,200,254
Educational programs	1,648,752
Other activities	623,584
Unrestricted	<u>1,345,571</u>
Total Net Position	<u>\$ 78,643,416</u>

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 34,739,356	\$ 296,989	\$ 4,737,295	\$ 301
Instruction-related activities:				
Supervision of instruction	1,604,784	57,499	863,220	-
Instructional library, media, and technology	464,229	12	7,029	-
School site administration	3,469,484	30,306	55,782	-
Pupil services:				
Home-to-school transportation	1,749,337	106,197	563,234	-
Food services	2,175,211	913,043	1,345,616	-
All other pupil services	2,253,531	56,391	364,919	-
Administration:				
Data processing	1,395,014	9,175	6,419	-
All other administration	2,262,078	89,882	297,631	-
Plant services	8,419,933	97,519	273,171	-
Ancillary services	984,619	139,401	97,521	-
Community services	498,366	196,382	197,584	-
Interest on long-term obligations	1,024,194	-	-	-
Other outgo	1,208,816	277,431	259,560	-
Total Governmental Activities	\$ 62,248,952	\$ 2,270,227	\$ 9,068,981	\$ 301
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				
Net Position - Ending				

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
\$ (29,704,771)
(684,065)
(457,188)
(3,383,396)
(1,079,906)
83,448
(1,832,221)
(1,379,420)
(1,874,565)
(8,049,243)
(747,697)
(104,400)
(1,024,194)
(671,825)
<u>(50,909,443)</u>
29,896,505
856,484
948,593
16,961,442
15,387
1,250,531
<u>49,928,942</u>
(980,501)
79,623,917
<u>\$ 78,643,416</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	\$ 10,072,750	\$ 3,794,832	\$ 3,286,792
Receivables	2,100,416	-	1,221,097
Due from other funds	63,203	-	-
Stores inventories	-	-	41,923
Total Assets	\$ 12,236,369	\$ 3,794,832	\$ 4,549,812
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,431,210	\$ 344,319	\$ 89,873
Due to other funds	-	-	63,203
Unearned revenue	136,276	-	2,923
Total Liabilities	6,567,486	344,319	155,999
Fund Balances:			
Nonspendable	10,000	-	41,923
Restricted	1,647,611	3,450,513	2,797,719
Assigned	85,924	-	1,554,171
Unassigned	3,925,348	-	-
Total Fund Balances	5,668,883	3,450,513	4,393,813
Total Liabilities and Fund Balances	\$ 12,236,369	\$ 3,794,832	\$ 4,549,812

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

**Total
Governmental
Funds**

\$	17,154,374
	3,321,513
	63,203
	41,923
<u>\$</u>	<u>20,581,013</u>

\$	6,865,402
	63,203
	139,199
<u>\$</u>	<u>7,067,804</u>

	51,923
	7,895,843
	1,640,095
	3,925,348
<u>\$</u>	<u>13,513,209</u>

<u>\$</u>	<u>20,581,013</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, 2014

Total Fund Balance - Governmental Funds		\$ 13,513,209
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	\$ 131,876,469	
Accumulated depreciation is	<u>(39,261,892)</u>	
Net Capital Assets		92,614,577
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.		105,128
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	21,207,748	
Certificates of participation	910,000	
Compensated absences	522,162	
Capital leases	1,136,750	
Early retirement incentives	166,477	
Other postemployment benefits	<u>3,646,361</u>	
Total Long-Term Obligations		(27,589,498)
Total Net Position - Governmental Activities		<u>\$ 78,643,416</u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	\$ 44,187,941	\$ -
Federal sources	2,938,221	-
Other State sources	5,379,488	-
Other local sources	4,173,123	14,318
Total Revenues	56,678,773	14,318
EXPENDITURES		
Current		
Instruction	34,474,124	-
Instruction-related activities:		
Supervision of instruction	1,578,054	-
Instructional library, media and technology	462,722	-
School site administration	3,496,046	-
Pupil services:		
Home-to-school transportation	2,128,786	-
Food services	-	-
All other pupil services	2,268,946	-
Administration:		
Data processing	1,388,647	-
All other administration	2,089,041	-
Plant services	5,352,165	850
Facility acquisition and construction	41,353	852,160
Ancillary services	982,817	-
Community services	10,380	-
Other outgo	1,208,816	-
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	55,481,897	853,010
Excess (Deficiency) of Revenues Over Expenditures	1,196,876	(838,692)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(1,074,013)	-
Net Financing Sources (Uses)	(1,074,013)	-
NET CHANGE IN FUND BALANCES	122,863	(838,692)
Fund Balance - Beginning	5,546,020	4,289,205
Fund Balance - Ending	\$ 5,668,883	\$ 3,450,513

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 44,187,941
1,511,646	4,449,867
230,162	5,609,650
2,897,669	7,085,110
<u>4,639,477</u>	<u>61,332,568</u>
-	34,474,124
45,690	1,623,744
-	462,722
-	3,496,046
-	2,128,786
2,166,993	2,166,993
-	2,268,946
-	1,388,647
157,840	2,246,881
445,853	5,798,868
758,518	1,652,031
-	982,817
483,621	494,001
-	1,208,816
552,000	552,000
759,382	759,382
<u>5,369,897</u>	<u>61,704,804</u>
<u>(730,420)</u>	<u>(372,236)</u>
1,009,896	1,009,896
-	(1,074,013)
<u>1,009,896</u>	<u>(64,117)</u>
279,476	(436,353)
4,114,337	13,949,562
<u>\$ 4,393,813</u>	<u>\$ 13,513,209</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, 2014

Total Net Change in Fund Balances - Governmental Funds **\$ (436,353)**
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	\$ 2,158,132	
Depreciation expense	<u>(2,727,035)</u>	
Net Expense Adjustment		(568,903)

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (9,080)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were no additional special termination benefits incurred and benefits paid of \$171,477. Vacation earned was more than the amounts paid by \$73,797. 97,680

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: (445,289)

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

Amortization of debt premium	6,743	
Amortization of deferred cost of issuance	<u>(205,264)</u>	
Combined adjustment		(198,521)

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, 2014

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	\$	180,000
Certificates of participation		240,000
Capital lease and Flex lease obligations		132,000

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds. Interest expense was reduced for the reversal of prior year accrued bond interest.

(66,293)

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

94,258

Change in Net Position of Governmental Activities

\$ (980,501)

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, 2014**

	Governmental Activities - Self Insurance Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 105,128
Total Current Assets	<u>105,128</u>
LIABILITIES	
Current Liabilities	
Accounts payable	-
Total Current Liabilities	<u>-</u>
NET POSITION	
Restricted	105,128
Total Net Position	<u>\$ 105,128</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, 2014**

	Governmental Activities - Self Insurance Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 45,081
Total Operating Revenues	<u>45,081</u>
OPERATING EXPENSES	
Payroll costs	9,054
Supplies and materials	1,357
Other operating cost	4,696
Total Operating Expenses	<u>15,107</u>
Operating Income	<u>29,974</u>
NONOPERATING REVENUES	
Interest income	167
Transfers in	64,117
Total Nonoperating Revenues	<u>64,284</u>
Change in Net Position	94,258
Total Net Position - Beginning	<u>10,870</u>
Total Net Position - Ending	<u>\$ 105,128</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, 2014**

	Governmental Activities - Self Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 45,131
Cash payments to other suppliers of goods or services	(15,107)
Net Cash Provided by Operating Activities	<u>30,024</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interdistrict contributions	64,117
Net Cash Provided by Noncapital Financing Activities	<u>64,117</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	167
Net Cash Provided by Investing Activities	<u>167</u>
Net Increase in Cash and Cash Equivalents	94,308
Cash and Cash Equivalents - Beginning	10,820
Cash and Cash Equivalents - Ending	<u><u>\$ 105,128</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 29,974
Changes in assets and liabilities:	
Receivables	50
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 30,024</u></u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 229,191
Total Assets	<u>\$ 229,191</u>
 LIABILITIES	
Due to student groups	\$ 229,191
Total Liabilities	<u>\$ 229,191</u>

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014

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.

Two 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 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, fund balance, revenues, and expenditures of \$1,383,307, \$1,383,307, \$12,973, and \$49,049, respectively.

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

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, 2014

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).

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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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 debt.

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).

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

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

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

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, 2014

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

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.

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.

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2014, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Compensated Absences

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

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

Accounts Payable and Long-Term Obligations

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Issuance Costs and Premiums

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

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

Fund Balances - Governmental Funds

As of June 30, 2014, 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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 \$4,487,253 of restricted net position.

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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

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

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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Property Tax

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

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014, which did not have a material effect on the District's financial statements.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 17,259,502
Fiduciary funds	229,191
Total Deposits and Investments	<u>\$ 17,488,693</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 229,191
Cash in revolving	10,000
Investments	17,249,502
Total Deposits and Investments	<u>\$ 17,488,693</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.

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.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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.

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	\$ 17,261,081	\$ 17,261,081	\$ -	\$ -	\$ -

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 219,114	\$ 885,809	\$ 1,104,923
State Government			
State principal apportionment	1,079,085	-	1,079,085
Other state	213,952	184,942	398,894
Local sources	588,265	150,346	738,611
Total	<u>\$ 2,100,416</u>	<u>\$ 1,221,097</u>	<u>\$ 3,321,513</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets not being depreciated				
Construction in progress	\$ 11,519,490	\$ 964,185	\$ -	\$ 12,483,675
Land	8,938,214	-	-	8,938,214
Total Capital Assets Not Being Depreciated	<u>20,457,704</u>	<u>964,185</u>	<u>-</u>	<u>21,421,889</u>
Capital Assets being depreciated				
Land improvements	10,444,517	162,637	-	10,607,154
Buildings and improvements	93,165,840	465,935	-	93,631,775
Furniture and equipment	6,062,974	565,375	412,698	6,215,651
Total Capital Assets Being Depreciated	<u>109,673,331</u>	<u>1,193,947</u>	<u>412,698</u>	<u>110,454,580</u>
Less Accumulated Depreciation				
Land improvements	9,921,983	300,452	-	10,222,435
Buildings and improvements	22,165,191	2,261,951	-	24,427,142
Furniture and equipment	4,851,301	164,632	403,618	4,612,315
Total Accumulated Depreciation	<u>36,938,475</u>	<u>2,727,035</u>	<u>403,618</u>	<u>39,261,892</u>
Governmental Activities Capital Assets, Net	<u>\$ 93,192,560</u>	<u>\$ (568,903)</u>	<u>\$ 9,080</u>	<u>\$ 92,614,577</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

Governmental Activities	
Instruction	\$ 6,855
Supervision of instruction	562
Home-to-school transportation	113,838
Food services	6,603
Community services	2,244
All other general administration	519
Data processing	4,253
Plant services	2,592,161
Total Depreciation Expenses Governmental Activities	<u><u>\$ 2,727,035</u></u>

NOTE 5 - 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, 2014, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 63,203	\$ -
Total Major Governmental Fund	<u>63,203</u>	<u>-</u>
Non-Major Governmental Fund		
Child Development	-	63,203
Total Non-Major Governmental Fund	<u>-</u>	<u>63,203</u>
Total All Governmental Funds	<u><u>\$ 63,203</u></u>	<u><u>\$ 63,203</u></u>

The Child Development Fund owes the General Fund for a temporary loan for cash flow purposes.

\$ 63,203

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, consist of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for prior year Bauer Speck roofing expenditures charged to the Fund in error.	\$ 61,333
The General Fund transferred redevelopment funds to the Special Reserve Capital Outlay Fund for future construction needs.	948,563
The General Fund transferred to the Self Insurance Fund for employee health and welfare reserve account needs.	64,117
Total	<u><u>\$ 1,074,013</u></u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consists of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 4,307,999	\$ 344,319	\$ 89,873	\$ 4,742,191
Salaries payable	949,433	-	-	949,433
State principal apportionment	1,173,778	-	-	1,173,778
Total	<u><u>\$ 6,431,210</u></u>	<u><u>\$ 344,319</u></u>	<u><u>\$ 89,873</u></u>	<u><u>\$ 6,865,402</u></u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 133,043	\$ -	\$ 133,043
Local assistance	3,233	2,923	6,156
Total	<u><u>\$ 136,276</u></u>	<u><u>\$ 2,923</u></u>	<u><u>\$ 139,199</u></u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 20,763,014	\$ 414,011	\$ 180,000	\$ 20,997,025	\$ 240,000
Bond premium	217,466	-	6,743	210,723	6,743
Certificates of participation	1,150,000	-	240,000	910,000	270,000
Compensated absences	448,363	73,799	-	522,162	-
Flex lease - CSBA	1,025,347	-	95,575	929,772	99,695
Capital leases	243,403	-	36,425	206,978	37,989
Early retirement incentives	337,954	-	171,477	166,477	166,477
Other postemployment benefits	3,201,072	2,060,257	1,614,968	3,646,361	-
Total	<u>\$ 27,386,619</u>	<u>\$ 2,548,067</u>	<u>\$ 2,345,188</u>	<u>\$ 27,589,498</u>	<u>\$ 820,904</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.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds			Bonds
				Outstanding July 1, 2013	Accreted Interest	Redeemed	Outstanding June 30, 2014
8/1/07	9/1/31	4-6.87	\$ 11,999,871	\$ 11,860,109	\$ 92,932	\$ 180,000	\$ 11,773,041
6/3/10	9/1/45	6.47-6.75	8,000,127	8,902,905	321,079	-	9,223,984
	Total			<u>\$ 20,763,014</u>	<u>\$ 414,011</u>	<u>\$ 180,000</u>	<u>\$ 20,997,025</u>

On August 1, 2007, the District issued the Series 2007 general obligation bonds in the amount of \$11,999,871 with interest rates ranging from 4.0 to 6.87 percent. Principal and interest payments are due each March 1 and September 1 through September 1, 2031.

On June 30, 2010, the District issued the Series 2010 general obligation bonds in the amount of \$8,000,127 with interest rates ranging from 6.47 to 6.75 percent. Principal and interest payments are due each March 1 and September 1 through September 1, 2045. The first principal payment is due September 1, 2032.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Debt Service Requirements to Maturity

Series 2007

Current Interest Portion, required payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 240,000	\$ 458,071	\$ 698,071
2016	305,000	446,071	751,071
2017	375,000	433,109	808,109
2018	425,000	417,171	842,171
2019	480,000	395,922	875,922
2020-2024	3,290,000	1,632,278	4,922,278
2025-2029	5,230,000	747,225	5,977,225
Total	<u>\$ 10,345,000</u>	<u>\$ 4,529,847</u>	<u>\$ 14,874,847</u>

Capital Appreciation Portion, required payments:

<u>Fiscal Year</u>	<u>Obligation at Maturity</u>	<u>Accreted Obligation</u>	<u>Interest to Accrete</u>
2030	\$ 1,345,000	\$ 493,346	\$ 851,654
2031	1,395,000	477,927	917,073
2032	1,440,000	456,768	983,232
Total	<u>\$ 4,180,000</u>	<u>\$ 1,428,041</u>	<u>\$ 2,751,959</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Series 2010

Current Interest Portion, required payments:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity ¹</u>	<u>Total</u>
2015	\$ -	\$ 283,800	\$ 283,800
2016	-	283,800	283,800
2017	-	283,800	283,800
2018	-	283,800	283,800
2019	-	283,800	283,800
2020-2024	-	1,419,000	1,419,000
2025-2029	-	1,419,000	1,419,000
2030-2034	-	1,419,000	1,419,000
2035-2039	-	1,419,000	1,419,000
2040-2041	4,300,000	429,000	4,729,000
Total	<u>\$ 4,300,000</u>	<u>\$ 7,524,000</u>	<u>\$ 11,824,000</u>

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

Capital Appreciation Portion, required payments:

<u>Fiscal Year</u>	<u>Obligation at Maturity</u>	<u>Accreted Obligation</u>	<u>Interest to Accrete</u>
2033-2037	\$ 8,720,000	\$ 2,124,092	\$ 6,595,908
2038-2039	4,085,000	2,140,444	1,944,556
2042-2046 ¹	13,025,814	659,448	12,366,366
Total	<u>\$ 25,830,814</u>	<u>\$ 4,923,984</u>	<u>\$ 20,906,830</u>

¹ Term bonds subject to mandatory early redemption.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Certificates of Participation

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

The certificates mature through 2017 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 270,000	\$ 40,655	\$ 310,655
2016	300,000	25,895	325,895
2017	340,000	9,010	349,010
Total	<u>\$ 910,000</u>	<u>\$ 75,560</u>	<u>\$ 985,560</u>

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2014, amounted to \$522,162.

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, 2014, future minimum payments were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 99,695	\$ 38,920	\$ 138,615
2016	103,998	34,587	138,585
2017	108,498	30,068	138,566
2018	113,202	25,352	138,554
2019	118,124	20,432	138,556
2020-2022	386,255	29,584	415,839
Total	<u>\$ 929,772</u>	<u>\$ 178,943</u>	<u>\$ 1,108,715</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Capital Leases

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

	<u>Principal</u>
Balance, July 1, 2013	\$ 243,403
Payments	36,425
Balance, June 30, 2014	<u>\$ 206,978</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Lease</u> <u>Payment</u>
2015	\$ 46,386
2016	46,386
2017	46,386
2018	46,386
2019	46,386
Total	<u>231,930</u>
Less: Amount Representing Interest	24,952
Present Value of Minimum Lease Payments	<u>\$ 206,978</u>

Early Retirement Agreements

The District offered a one-time early retirement incentive to all employees during the fiscal year 2009-2010. To qualify, participants must have been an employee for a minimum of 20 years by June 30, 2010; not less than 58 years of age as of December 31, 2010; and resign no later than June 30, 2010. The retiree will receive 50 percent of his/her base pay paid out over five years. Health benefits will be paid as stated in the collective bargaining agreement, or the employee may choose \$5,000 per year in lieu of insurance payments until they reach age 65. Thirty-one employees chose to take the incentive to retire. Five of the thirty-one retirees chose to receive the in lieu of insurance payments. The outstanding liability for this plan was \$166,477 at June 30, 2014, which is payable during the fiscal year ending June 30, 2015.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$1,932,214, and contributions made by the District during the year were \$1,429,850 (including the implicit rate subsidy factor of 1.2483). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$128,043 and \$(185,118), respectively, which resulted in an increase to the net OPEB obligation of \$445,289. As of June 30, 2014, the net OPEB obligation was \$3,646,361. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Stores inventories	-	-	41,923	41,923
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>41,923</u>	<u>51,923</u>
Restricted				
Legally restricted programs	1,647,611	-	-	1,647,611
Capital projects	-	3,450,513	1,200,254	4,650,767
Debt services	-	-	1,014,663	1,014,663
Child care programs	-	-	1,141	1,141
Food service	-	-	581,661	581,661
Total Restricted	<u>1,647,611</u>	<u>3,450,513</u>	<u>2,797,719</u>	<u>7,895,843</u>
Assigned				
Pupil transportation needs	85,924	-	-	85,924
Capital projects	-	-	1,554,171	1,554,171
Total Assigned	<u>85,924</u>	<u>-</u>	<u>1,554,171</u>	<u>1,640,095</u>
Unassigned				
Reserve for economic uncertainties	1,323,123	-	-	1,323,123
Remaining unassigned	2,602,225	-	-	2,602,225
Total Unassigned	<u>3,925,348</u>	<u>-</u>	<u>-</u>	<u>3,925,348</u>
Total	<u>\$ 5,668,883</u>	<u>\$ 3,450,513</u>	<u>\$ 4,393,813</u>	<u>\$ 13,513,209</u>

NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2014, the following District major fund exceeded the budgeted amounts in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 23,643,437	\$ 24,432,402	\$ 788,965
Classified salaries	\$ 8,955,691	\$ 9,279,225	\$ 323,534

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 11 - 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 60 retirees and beneficiaries currently receiving benefits and approximately 625 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 2013-2014, the District contributed \$1,145,438 (excludes implicit rate subsidy) to the plan, all of which was used for current premiums.

Annual OPEB Cost and Net Asset/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	\$ 1,932,214
Interest on net OPEB obligation	128,043
Adjustment to annual required contribution	(185,118)
Annual OPEB cost (expense)	<u>1,875,139</u>
Contributions made	<u>(1,429,850)</u>
Increase in net OPEB obligation	445,289
Net OPEB obligation, beginning of year	<u>3,201,072</u>
Net OPEB obligation, end of year	<u><u>\$ 3,646,361</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 1,875,139	\$ 1,429,850	76.25%	\$ 3,646,361
2013	1,890,684	1,018,844	53.89%	3,201,072
2012	1,675,813	1,002,091	59.80%	2,329,232

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2012	\$ -	\$ 16,316,150	\$ 16,316,150	0.00%	\$ 31,524,547	51.76%

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

Actuarial Methods and Assumptions

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

In the July 1, 2012, 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, 2014, was 25 years.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 12 - 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, 2014, 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 2014, the District participated in the Self Insurance Program for Employees (SIPE), an insurance purchasing pool. The intent of SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SIPE. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SIPE. Participation in SIPE is limited to districts that can meet SIPE selection criteria.

Employee Medical Benefits

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,961,515, \$1,856,268, and \$2,020,761, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,071,729, \$1,017,629, and \$1,017,259, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,427,755 (5.541 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. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - 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, 2014.

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, 2014.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Construction Commitments

As of June 30, 2014, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Physical Education Facility and Practice Gym-High School	<u>\$ 2,200,000</u>	04/01/15

NOTE 15 - 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, 2014, the District made payments of \$8,099,464, \$567,109, and \$236,511 to SISC III, SIPE, and SISC II, respectively for its health, workers' compensation, and property liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Favorable
				(Unfavorable)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 38,497,534	\$ 44,220,055	\$ 44,187,941	\$ (32,114)
Federal sources	2,749,997	3,704,267	2,938,221	(766,046)
Other State sources	7,237,008	3,764,763	3,951,733	186,970
Other local sources	3,728,244	5,202,183	4,173,123	(1,029,060)
Total Revenues ¹	52,212,783	56,891,268	55,251,018	(1,640,250)
EXPENDITURES				
Current				
Certificated salaries	22,170,384	23,643,437	24,432,402	(788,965)
Classified salaries	8,884,382	8,955,691	9,279,225	(323,534)
Employee benefits	10,420,186	10,707,634	10,410,359	297,275
Books and supplies	2,134,174	3,552,687	2,443,094	1,109,593
Services and operating expenditures	5,678,724	7,773,413	5,897,585	1,875,828
Other outgo	10,000	1,155,993	1,042,139	113,854
Capital outlay	1,143,622	904,449	549,338	355,111
Total Expenditures ¹	50,441,472	56,693,304	54,054,142	2,639,162
Excess (Deficiency) of Revenues Over Expenditures	1,771,311	197,964	1,196,876	998,912
Other Financing Sources (Uses)				
Transfers in	16,560	16,560	-	(16,560)
Transfers out	(1,193,935)	(997,656)	(1,074,013)	(76,357)
Net Financing Sources (Uses)	(1,177,375)	(981,096)	(1,074,013)	(92,917)
NET CHANGE IN FUND BALANCES	593,936	(783,132)	122,863	905,995
Fund Balance - Beginning	5,546,020	5,546,020	5,546,020	-
Fund Balance - Ending	\$ 6,139,956	\$ 4,762,888	\$ 5,668,883	\$ 905,995

¹ On behalf payments are not included in revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 15, Pupil Transportation Fund, and Fund 17, Special Reserve Non-Capital Outlay Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2012	\$ -	\$ 16,316,150	\$ 16,316,150	0.00%	\$ 31,524,547	51.76%
July 1, 2010	\$ -	\$ 13,664,563	\$ 13,664,563	0.00%	\$ 35,380,314	38.62%
December 1, 2008	\$ -	\$ 10,539,713	\$ 10,539,713	0.00%	\$ 39,948,237	26.38%

SUPPLEMENTARY INFORMATION

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	\$ 809,264
Title I - Part C, Migrant Education	84.011	14326	97,222
Title I - Part G, Advance Placement Incentive Program	84.330	14831	3,904
Title II - Part A, Improving Teacher Quality	84.367	14341	202,534
Title II - Part B, Math and Science Partnerships	84.366	14512	142,766
Title III - LEP	84.365	14346	187,964
Title III - Immigrant Education Program	84.365	15146	3,891
Title IV - Safe & Drug Free Schools	84.186	14347	232
Special Education Cluster			
IDEA - Basic Local Assistance	84.027	13379	1,044,415
IDEA - Local Assistance - Private School	84.027	10115	1,452
IDEA - Preschool Grants	84.173	13430	61,856
IDEA - Preschool Local Entitlement	84.027A	13682	111,689
Subtotal Special Education Cluster			<u>1,219,412</u>
Vocational Educational Grants Technology Secondary II	84.048	14894	50,528
Total U.S. Department of Education			<u>2,717,717</u>
FEDERAL COMMUNICATIONS COMMISSION			
E-Rate	[1]	[2]	50,259
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health			
Care Services:			
Child Care and Development Block Grant	93.596	13609	96,055
Medi-Cal Billing	93.778	10013	170,245
Total Department of Health and Human Services			<u>266,300</u>

[1] Catalog number not available

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	\$ 1,017,653
Especially Needy Breakfast	10.553	13526	390,869
Meals Supplements - Snack	10.555	13391	7,069
Food Distribution - Commodities	10.555	13391	104,483
Subtotal Child Nutrition Cluster			<u>1,520,074</u>
Total U.S. Department of Agriculture			<u>1,520,074</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,554,350</u></u>

[1] Catalog number not available

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Katy Griffin	President	2014
Joel Peterson	Clerk	2016
Chris Bausch	Member	2016
Dave Lambert	Member	2016
Field Gibson	Member	2014
W. Jay Packer	Member	2014
Joan Summers	Member	2016

ADMINISTRATION

Dr. Kathleen McNamara	Superintendent
Elizabeth Wilson	Assistant Superintendent, Business Services
Dr. Ruben Canales	Director of Human Resources
Karin Bruck	Director of Fiscal Services

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,828.23	1,830.23
Fourth through sixth	1,381.33	1,378.68
Seventh and eighth	950.91	949.64
Ninth through twelfth	2,035.05	2,013.04
Total Regular ADA	<u>6,195.52</u>	<u>6,171.59</u>
Extended Year Special Education		
Transitional kindergarten through third	4.12	4.12
Fourth through sixth	2.41	2.41
Seventh and eighth	2.57	2.57
Ninth through twelfth	3.47	3.47
Total Extended Year Special Education	<u>12.57</u>	<u>12.57</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.95	0.69
Ninth through twelfth	2.85	2.61
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.80</u>	<u>3.30</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.16	0.16
Ninth through twelfth	1.13	1.13
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.29</u>	<u>1.29</u>
Total ADA	<u><u>6,213.18</u></u>	<u><u>6,188.75</u></u>

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014**

Grade Level	1986-1987	Reduced	2013-2014 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-1987 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	35,600	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			51,065	180	N/A	Complied
Grade 2			51,065	180	N/A	Complied
Grade 3			51,065	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,145	180	N/A	Complied
Grade 5			55,145	180	N/A	Complied
Grade 6			55,145	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			58,909	180	N/A	Complied
Grade 8			58,909	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,256	180	N/A	Complied
Grade 10			64,256	180	N/A	Complied
Grade 11			64,256	180	N/A	Complied
Grade 12			64,256	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, 2014**

There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 ^{1,4}	2014 ⁴	2013 ⁴	2012 ⁴
GENERAL FUND				
Revenues	\$ 56,627,189	\$ 55,238,045	\$ 54,545,272	\$ 54,354,459
Other sources and transfers in	15,000	-	385,000	10,580
Total Revenues ³	<u>56,642,189</u>	<u>55,238,045</u>	<u>54,930,272</u>	<u>54,365,039</u>
Expenditures	55,628,576	54,005,093	50,953,700	54,263,219
Other uses and transfers out	962,171	1,077,386	2,563,258	-
Total Expenditures and Other Uses ³	<u>56,590,747</u>	<u>55,082,479</u>	<u>53,516,958</u>	<u>54,263,219</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ 51,442</u>	<u>\$ 155,566</u>	<u>\$ 1,413,314</u>	<u>\$ 101,820</u>
ENDING FUND BALANCE	<u>\$ 4,337,018</u>	<u>\$ 4,285,576</u>	<u>\$ 4,130,010</u>	<u>\$ 2,716,696</u>
AVAILABLE RESERVES ²	<u>\$ 4,630,866</u>	<u>\$ 3,925,348</u>	<u>\$ 4,547,031</u>	<u>\$ 1,992,634</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>8.2%</u>	<u>7.1%</u>	<u>8.5%</u>	<u>3.7%</u>
LONG-TERM OBLIGATIONS	<u>Not Available</u>	<u>\$ 27,589,498</u>	<u>\$ 27,389,619</u>	<u>\$ 26,829,536</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>6,112</u>	<u>6,213</u>	<u>6,243</u>	<u>6,421</u>

The General Fund balance increased by \$1,568,880 over the past two years. The 2014-2015 adopted budget projects an increase of \$51,442 (1.2 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2014-2015 fiscal year. Total long-term obligations have increased by \$759,962 over the past two years mostly due to the increasing Other Postemployment Benefits unfunded obligation.

Average daily attendance has decreased by 208 over the past two years. Continuing decline of 101 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments have been excluded from revenues and expenditures in this schedule.

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

See accompanying note to supplementary information.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ -	\$ 365,828	\$ 1,119,524
Receivables	82,517	278,221	80,066
Stores inventories	-	41,923	-
Total Assets	\$ 82,517	\$ 685,972	\$ 1,199,590
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 15,250	\$ 62,388	\$ 499
Due to other funds	63,203	-	-
Unearned revenue	2,923	-	-
Total Liabilities	81,376	62,388	499
Fund Balances:			
Nonspendable	-	41,923	-
Restricted	1,141	581,661	1,199,091
Assigned	-	-	-
Total Fund Balances	1,141	623,584	1,199,091
Total Liabilities and Fund Balances	\$ 82,517	\$ 685,972	\$ 1,199,590

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 1,163	\$ 785,614	\$ 1,014,663	\$ 3,286,792
-	780,293	-	1,221,097
-	-	-	41,923
<u>\$ 1,163</u>	<u>\$ 1,565,907</u>	<u>\$ 1,014,663</u>	<u>\$ 4,549,812</u>
\$ -	\$ 11,736	\$ -	\$ 89,873
-	-	-	63,203
-	-	-	2,923
<u>-</u>	<u>11,736</u>	<u>-</u>	<u>155,999</u>
-	-	-	41,923
1,163	-	1,014,663	2,797,719
-	1,554,171	-	1,554,171
<u>1,163</u>	<u>1,554,171</u>	<u>1,014,663</u>	<u>4,393,813</u>
<u>\$ 1,163</u>	<u>\$ 1,565,907</u>	<u>\$ 1,014,663</u>	<u>\$ 4,549,812</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, 2014**

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 96,055	\$ 1,415,591	\$ -
Other State sources	106,300	116,628	-
Other local sources	402,549	1,041,019	602,648
Total Revenues	604,904	2,573,238	602,648
EXPENDITURES			
Current			
Instruction-related activities:			
Supervision of instruction	45,690	-	-
Pupil services:			
Food services	-	2,166,993	-
Administration:			
All other administration	26,930	120,462	10,448
Plant services	48,315	181,351	1,143
Facility acquisition and construction	-	-	-
Community services	483,621	-	-
Debt service			
Principal	-	-	372,000
Interest and other	-	-	106,574
Total Expenditures	604,556	2,468,806	490,165
Excess (Deficiency) of Revenues Over Expenditures	348	104,432	112,483
Other Financing Sources (Uses)			
Transfers in	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	348	104,432	112,483
Fund Balance - Beginning	793	519,152	1,086,608
Fund Balance - Ending	\$ 1,141	\$ 623,584	\$ 1,199,091

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 1,511,646
-	-	7,234	230,162
300	196	850,957	2,897,669
<u>300</u>	<u>196</u>	<u>858,191</u>	<u>4,639,477</u>
-	-	-	45,690
-	-	-	2,166,993
-	-	-	157,840
-	215,044	-	445,853
399,438	359,080	-	758,518
-	-	-	483,621
-	-	180,000	552,000
-	-	652,808	759,382
<u>399,438</u>	<u>574,124</u>	<u>832,808</u>	<u>5,369,897</u>
<u>(399,138)</u>	<u>(573,928)</u>	<u>25,383</u>	<u>(730,420)</u>
-	1,009,896	-	1,009,896
-	1,009,896	-	1,009,896
(399,138)	435,968	25,383	279,476
400,301	1,118,203	989,280	4,114,337
<u>\$ 1,163</u>	<u>\$ 1,554,171</u>	<u>\$ 1,014,663</u>	<u>\$ 4,393,813</u>

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of federal commodities received by the District that are not included in the District's financial statements.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 4,449,867
Reconciling items:		
Food Distribution - Commodities	10.555	<u>104,483</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 4,554,350</u></u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paso Robles Joint Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Paso Robles Joint Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Paso Robles Joint Unified School District in a separate letter dated December 12, 2014.

Purpose of This Report

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

Varrink, Trine, Day & Co, LLP

Fresno, California
December 12, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 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, 2014. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paso Robles Joint Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Varrink, Trine, Day & Co., LLP

Fresno, California
December 12, 2014



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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* 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, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. 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.

Unmodified Opinion

In our opinion, Paso Robles Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for independent study because the independent study ADA was under the level that requires testing.

Vannink, Trine, Day & Co., LLP

Fresno, California
December 12, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 .510(a) of OMB Circular A-133?	<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>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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



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

In planning and performing our audit of the financial statements of Paso Robles Joint Unified School District, for the year ended June 30, 2014, 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 12, 2014, on the government-wide financial statements of the District.

PASO ROBLES HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

Prenumbered receipts are being used by the site; however, they are not being used consistently and effectively to ensure adequate controls over cash receipting. The following deficiency was noted:

- Sub-receipts utilized by the teachers and advisors are in the form of duplicate prenumbered receipts or a cash receipts log. The teachers and advisors are collecting a significant amount of funds which warrants the use of triplicate prenumbered sub-receipts. Additionally, the sub-receipts are not always submitted with the deposits to the bookkeeper and not all funds are being receipted or logged.

This internal control weakness puts the District at greater risk for loss of cash, reduces accountability over cash, and reduces the District's ability to know how much cash should be on hand. It makes it impossible to determine when cash was received, from whom cash was received or how intact and timely deposits were.

Recommendation

Prenumbered receipts should be issued for all cash collections by teacher, advisors and the site bookkeeper which would include a specific description of the source of the funds.

- Triplicate prenumbered receipts should be used by teachers and advisors. The original receipt will be issued to the student, a carbon copy will be submitted with the deposit to the bookkeeper, and the third receipt retained in the receipt book for the teachers and advisors' records. All monies collected including checks received in the mail should be receipted or recorded in the receipt book.

LIBERTY HIGH CONTINUATION - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Finding

During our audit, we discovered the student store sales are not properly being tracked. The site has a register to use but is not inputting sales on the register and not reconciling the money to the z tape report at the end of the day.

Recommendation

The site should use the register z tape as a method to verify all money received from the cashier has been deposited to the ASB bank account. The z tape should also be turned in with the funds to the bookkeeper as documentation the deposits are intact and complete.

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

Vannink, Trine, Day & Co, LLP

Fresno, California
December 12, 2014