

**PASO ROBLES JOINT
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Varrink, Trini, Day & Co, LLP

Fresno, California
December 12, 2016

The District of Excellence

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

Governmental Activities

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

FINANCIAL HIGHLIGHTS

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Changes in Net Position

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

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

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

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

General Fund Budgetary Highlights

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

Long-Term Obligations

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

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

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

Net Pension Liability (NPL)

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Component Units

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

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

Basis of Presentation - Fund Accounting

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Major Governmental Funds

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

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

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

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

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

Non-Major Governmental Funds

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Stores Inventories

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Assets and Depreciation

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

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

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

Compensated Absences

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

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

Accounts Payable and Long-Term Obligations

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

Debt Issuance Costs and Premiums

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

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

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

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Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS

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New Accounting Pronouncements

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

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

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

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

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

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

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

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

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JUNE 30, 2016

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Policies and Practices

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

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

General Authorizations

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Interest Rate Risk

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

Segmented Time Distribution

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

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

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 4 - RECEIVABLES

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

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

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

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

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 6 - INTERFUND TRANSACTIONS

Operating Transfers

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

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

NOTE 7 - ACCOUNTS PAYABLE

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

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

