

**PASO ROBLES JOINT  
UNIFIED SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015**

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, 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, 2015, 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 *2014-2015 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, 2015, 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.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 13, and budgetary comparison, other postemployment benefit, net pension liability, and District contribution information on pages 65 through 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paso Robles Joint Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2015, 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 5, 2015



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, 2015. 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, 2015

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

### **Governmental Activities**

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### FINANCIAL HIGHLIGHTS

- The District presented an Adopted Budget for 2014-2015, projecting an increase in Ending Fund Balance of approximately \$51,442.
- The District certified both the 1<sup>st</sup> and 2<sup>nd</sup> Interim Financial Reports as "Positive". At fiscal year-end, the unrestricted expenses (including contributions) exceeded unrestricted revenues by \$2,119,699. The unrestricted Ending Balance for 2014-2015 was \$4,757,663 which represents 8.3 percent of actual expenditures. The budget for 2015-2016 projected expenditures within revenues with nearly the same percent in unrestricted Fund Balance, anticipating an unrestricted Ending Balance of 8.7 percent.
- Enrollment continued a trend of decline, however, that decline has slowed significantly. The drop from in 2013-2014 the decline slowed to only 68. The District's enrollment has dropped from a high of 6,910 in 2007-08 to 6473 in 2014-2015. It is anticipated the enrollment will be stabilize in 2015-2016, with the opening of new TK sections in the elementary level.
- The PE Facility and Practice Gymnasium (Gym") went through the bid process in January 2014, and begin construction in March 2014. The Project is the final major construction project funded by Measure T and is projected to be completed by August 2015.
- 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 55 percent of the students enrolled in addition to the base grants for all students. This funding provides nearly 81 percent of the District's resources.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position increased by approximately 11 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, 2014 and 2015**

	June 30, 2014, Restated	June 30, 2015	Difference
Current and Other Assets	\$ 17,301,425	\$ 19,878,024	\$ 2,576,599
Accounts Receivable	3,321,513	3,413,758	92,245
Net Fixed Assets	92,614,577	93,029,549	414,972
<b>Total Assets</b>	<b>113,237,515</b>	<b>116,321,331</b>	<b>3,083,816</b>
<b>Deferred Outflows of Resources</b>	<b>2,988,828</b>	<b>3,447,055</b>	<b>458,227</b>
Current Liabilities	7,004,601	6,380,664	(623,937)
Long-Term Obligations:			
Due within one year	820,904	755,362	(65,542)
Due after one year	26,768,594	27,141,194	372,600
Net pension liability	51,082,769	40,646,073	(10,436,696)
<b>Total Liabilities</b>	<b>85,676,868</b>	<b>74,923,293</b>	<b>(10,753,575)</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>10,991,137</b>	<b>10,991,137</b>
Net Position			
Net investment in capital assets	72,810,592	70,714,248	(2,096,344)
Restricted	4,487,253	3,937,838	(549,415)
Unrestricted	(46,748,370)	(40,798,130)	5,950,240
<b>Total Net Position</b>	<b>\$ 30,549,475</b>	<b>\$ 33,853,956</b>	<b>\$ 3,304,481</b>

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### Changes in Net Position

The District's total revenues (governmental activities) increased to \$70.4 million. Property taxes accounted for 51 percent of the District's revenue. An additional 31 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, 2014 Compared With June 30, 2015

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	June 30, 2014	June 30, 2015	Difference
Charges for Services	\$ 2,270,227	\$ 2,035,956	\$ (234,271)
Operating Grants and Contributions	9,068,981	8,896,690	(172,291)
Capital Grants and Contributions	301	-	(301)
Federal and State Aid not Restricted for a Specific Purpose	16,961,442	22,030,745	5,069,303
Property Taxes	31,701,582	35,849,291	4,147,709
Other General Revenues	1,265,918	1,547,936	282,018
<b>Total Revenues</b>	<b>\$ 61,268,451</b>	<b>\$ 70,360,618</b>	<b>\$ 9,092,167</b>

The total cost of all programs and services (governmental activities) was \$67.1 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, 2014 Compared With June 30, 2015

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	June 30, 2014	June 30, 2015	Difference
Instruction Related	\$ 40,277,853	\$ 43,221,186	\$ 2,943,333
Student Support Services	4,002,868	4,663,072	660,204
Administration	3,657,092	3,830,812	173,720
Plant Services	8,419,933	9,367,598	947,665
Food Services	2,175,211	2,236,288	61,077
Other	3,715,995	3,737,181	21,186
<b>Total Expenses</b>	<b>\$ 62,248,952</b>	<b>\$ 67,056,137</b>	<b>\$ 4,807,185</b>

Total revenues surpassed expenses, increasing net position by \$3.3 million primarily due to State grants for new construction and modernization projects and receipt of FEMA funding for old projects.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### 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 \$16.8 million which is up 24 percent from the prior year. The receipt of \$4.4 million in FEMA funding was the largest contributing factor to this increase.

#### Summary of Fund Balances

##### All Funds

##### June 30, 2014 Compared With June 30, 2015

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	June 30, 2014	June 30, 2015	Difference
General <sup>1</sup>	\$ 5,668,883	\$ 6,970,382	\$ 1,301,499
Child Development	1,141	17,738	16,597
Cafeteria	623,584	621,333	(2,251)
Building	3,450,513	727,172	(2,723,341)
Capital Facilities	1,199,091	1,398,498	199,407
County School Facilities	1,163	-	(1,163)
Special Reserve Capital Outlay	1,554,171	5,984,349	4,430,178
Bond Interest and Redemption	1,014,663	1,077,355	62,692
<b>Total</b>	<b>\$ 13,513,209</b>	<b>\$ 16,796,827</b>	<b>\$ 3,283,618</b>

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<sup>1</sup> Includes the District's 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 State funding due to the passage of Proposition 30
- Changes in Grants as well as updating grant estimates to award letters and notifications
- Changes to reflect carryover estimates to the actual amounts for State and Federal grants and entitlements
- Changes made to salary and benefits accounts initiated by a newly revived position control system

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of fiscal 2015, the District had invested \$93 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.

<b>Capital Assets</b>			
<b>June 30, 2014 Compared With June 30, 2015</b>			
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Difference</u>
Land	\$ 8,938,214	\$ 8,938,214	\$ -
Improvement and Sites	10,607,154	10,607,154	-
Buildings	93,631,775	93,639,700	7,925
Equipment	6,215,651	6,568,891	353,240
Work in Progress	12,483,675	15,229,324	2,745,649
Less: Accumulated Depreciation	<u>(39,261,892)</u>	<u>(41,953,734)</u>	<u>(2,691,842)</u>
<b>Total</b>	<b><u>\$ 92,614,577</u></b>	<b><u>\$ 93,029,549</u></b>	<b><u>\$ 414,972</u></b>

#### Long-Term Obligations Other Than Pensions

At year-end, the District had \$27.9 million in long-term obligations other than pensions outstanding excluding the net pension liability discussed below, an increase of 1.1 percent from last year due to general obligation bond accreted interest, and other postemployment benefits.

<b>Summary of Outstanding Long-Term Obligations Other Than Pensions</b>			
<b>June 30, 2014 Compared With June 30, 2015</b>			
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Difference</u>
General Obligation Bonds	\$ 20,997,025	\$ 21,199,427	\$ 202,402
Bond Premium	210,723	203,980	(6,743)
Certificates of Participation	910,000	640,000	(270,000)
Compensated Absences	522,162	533,601	11,439
Flex Lease - CSBA	929,772	830,077	(99,695)
Capital Leases	206,978	168,989	(37,989)
Early Retirement Incentives	166,477	-	(166,477)
Other Postemployment Benefits	<u>3,646,361</u>	<u>4,320,482</u>	<u>674,121</u>
<b>Total</b>	<b><u>\$ 27,589,498</u></b>	<b><u>\$ 27,896,556</u></b>	<b><u>\$ 307,058</u></b>

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of \$48.1 million. As of June 30, 2015, District reported Deferred Outflows from pension activities of \$3.5 million, Deferred Inflows from pension activities of \$11 million, and a Net Pension Liability of \$40.6 million.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- In November 2013, the state held a general election and passed a proposition that will increase both income and sales taxes for periods of four and seven years, concurrently. This proposition will significantly increase state revenue, thereby, increasing state funding for schools, for the period of the taxes. The District cannot lose sight of the temporary nature of these, and the impact of the elimination, when doing long range planning and remains conservative in its projection. This is significant because this funding source is one of the major sources supporting the LCFF. The state's other traditional sources for funding schools must increase over this period in order to continue full funding and increases for the full implementation of the funding formula.
- The Adopted State Budget included the broadest change in educational funding seen in decades with the implementation of the LCFF. The new funding formula maintains the constructs of revenue limit and average daily attendance (ADA), but funds grade spans at different amounts based on the specific ADA of each span. In addition, supplemental funding is available for the 55 percent of district students who are designated low income, English language Learners of foster or homeless youth. These calculations are affected by statewide Cost of Living Allowances to arrive at a funding level that is intended to fund all students, in all 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 2014-2015 year the District received 30.16 percent of "the gap" and remains only 70 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 has experienced declining enrollment. Declines that had been averaging ½ percent for the previous four years jumped to 2.6 percent for the 2012-2013 year, due to the opening of a charter school in a neighboring district. In 2014-2015 district enrollment flatten, for the 2015-2016 a small increase in projected. 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.

# **PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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### **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 Scott R. Lathrop, Chief Business Officer at (805) 769-1000 Ext. 30106, or Karin Bruck, Director of Fiscal Services at (805) 769-1000 Ext. 30108 or by mail to the District's Business Office, 800 Niblick Road, Paso Robles, CA, 93446.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 19,824,391
Receivables	3,413,758
Stores inventories	53,633
Nondepreciable capital assets	24,167,538
Capital assets being depreciated	110,815,745
Accumulated depreciation	<u>(41,953,734)</u>
<b>Total Assets</b>	<b><u>116,321,331</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	<u>3,447,055</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>3,447,055</u></b>
<b>LIABILITIES</b>	
Accounts payable	6,349,614
Unearned revenue	31,050
Current portion of long-term obligations other than pensions	755,362
Noncurrent portion of long-term obligations other than pensions	27,141,194
Aggregate net pension liability	<u>40,646,073</u>
<b>Total Liabilities</b>	<b><u>74,923,293</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between projected and actual earnings on pension plan investments	<u>10,991,137</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>10,991,137</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	70,714,248
Restricted for:	
Debt service	1,077,355
Capital projects	1,398,498
Educational programs	840,652
Other activities	621,333
Unrestricted	<u>(40,798,130)</u>
<b>Total Net Position</b>	<b><u>\$ 33,853,956</u></b>

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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 36,911,897	\$ 212,991	\$ 4,221,111	\$ (32,477,795)
Instruction-related activities:				
Supervision of instruction	1,915,224	22,742	1,100,334	(792,148)
Instructional library, media, and technology	673,515	116	21,793	(651,606)
School site administration	3,720,550	6,520	34,645	(3,679,385)
Pupil services:				
Home-to-school transportation	1,863,143	109,293	397,421	(1,356,429)
Food services	2,236,288	904,960	1,310,848	(20,480)
All other pupil services	2,799,929	39,849	465,247	(2,294,833)
Administration:				
Data processing	1,549,437	18,225	35,695	(1,495,517)
All other administration	2,281,375	70,399	195,919	(2,015,057)
Plant services	9,367,598	301,977	582,379	(8,483,242)
Ancillary services	1,074,820	47,304	92,647	(934,869)
Community services	548,278	205,365	187,923	(154,990)
Interest on long-term obligations	1,169,897	-	-	(1,169,897)
Other outgo	944,186	96,215	250,728	(597,243)
<b>Total Governmental Activities</b>	<u>\$ 67,056,137</u>	<u>\$ 2,035,956</u>	<u>\$ 8,896,690</u>	<u>(56,123,491)</u>
General revenues and subventions:				
				33,958,191
				946,541
				944,559
				22,030,745
				39,729
				1,508,207
			<b>Subtotal, General Revenues</b>	<u>59,427,972</u>
			<b>Change in Net Position</b>	3,304,481
			Net Position - Beginning, as restated	30,549,475
			Net Position - Ending	<u>\$ 33,853,956</u>

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Reserve Capital Outlay Fund</u>	<u>Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Deposits and investments	\$ 10,248,665	\$ 6,005,249	\$ 3,456,236
Receivables	2,956,095	-	457,613
Due from other funds	46,677	-	-
Stores inventories	-	-	53,633
<b>Total Assets</b>	<u>\$ 13,251,437</u>	<u>\$ 6,005,249</u>	<u>\$ 3,967,482</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,263,294	20,900	\$ 65,420
Due to other funds	-	-	46,677
Unearned revenue	17,761	-	13,289
<b>Total Liabilities</b>	<u>6,281,055</u>	<u>20,900</u>	<u>125,386</u>
<b>Fund Balances:</b>			
Nonspendable	10,000	-	53,633
Restricted	822,914	-	3,788,463
Assigned	86,135	5,984,349	-
Unassigned	6,051,333	-	-
<b>Total Fund Balances</b>	<u>6,970,382</u>	<u>5,984,349</u>	<u>3,842,096</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 13,251,437</u>	<u>\$ 6,005,249</u>	<u>\$ 3,967,482</u>

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

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**Total  
Governmental  
Funds**

\$	19,710,150
	3,413,708
	46,677
	53,633
\$	<u>23,224,168</u>

\$	6,349,614
	46,677
	31,050
	<u>6,427,341</u>

	63,633
	4,611,377
	6,070,484
	6,051,333
	<u>16,796,827</u>

\$	<u>23,224,168</u>
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**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 16,796,827</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
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	\$ 134,983,283	
Accumulated depreciation is	<u>(41,953,734)</u>	
Net Capital Assets		93,029,549
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,447,055
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.		114,291
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.		(10,991,137)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds	21,403,407	
Certificates of participation	640,000	
Compensated absences	533,601	
Capital leases	999,066	
Other postemployment benefits	4,320,482	
Net pension liability	<u>40,646,073</u>	
Total Long-Term Obligations		<u>(68,542,629)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 33,853,956</u></b>

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, 2015**

	<b>General Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 48,608,887	\$ -	\$ -
Federal sources	3,909,318	4,329,448	1,466,695
Other State sources	4,048,067	-	237,439
Other local sources	4,241,389	7,161	3,199,907
<b>Total Revenues</b>	<b>60,807,661</b>	<b>4,336,609</b>	<b>4,904,041</b>
<b>EXPENDITURES</b>			
Current			
Instruction	36,429,300	-	-
Instruction-related activities:			
Supervision of instruction	1,841,794	-	43,372
Instructional library, media and technology	657,764	-	-
School site administration	3,664,438	-	-
Pupil services:			
Home-to-school transportation	1,974,847	-	-
Food services	-	-	2,217,762
All other pupil services	2,729,887	-	-
Administration:			
Data processing	1,528,251	-	-
All other administration	2,064,238	-	171,036
Plant services	5,655,230	788,982	259,736
Facility acquisition and construction	6,975	61,964	2,738,674
Ancillary services	1,069,818	-	-
Community services	17,757	-	516,761
Other outgo	944,186	-	-
Debt service			
Principal	-	-	647,684
Interest and other	-	-	734,238
<b>Total Expenditures</b>	<b>58,584,485</b>	<b>850,946</b>	<b>7,329,263</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,223,176</b>	<b>3,485,663</b>	<b>(2,425,222)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	22,839	944,515	1,165
Transfers out	(944,515)	-	(24,004)
<b>Net Financing Sources (Uses)</b>	<b>(921,676)</b>	<b>944,515</b>	<b>(22,839)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,301,500</b>	<b>4,430,178</b>	<b>(2,448,061)</b>
<b>Fund Balance - Beginning</b>	<b>5,668,882</b>	<b>1,554,171</b>	<b>6,290,157</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,970,382</b>	<b>\$ 5,984,349</b>	<b>\$ 3,842,096</b>

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

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<b>Total Governmental Funds</b>	
\$	48,608,887
	9,705,461
	4,285,506
	7,448,457
	<u>70,048,311</u>
	36,429,300
	1,885,166
	657,764
	3,664,438
	1,974,847
	2,217,762
	2,729,887
	1,528,251
	2,235,274
	6,703,948
	2,807,613
	1,069,818
	534,518
	944,186
	647,684
	734,238
	<u>66,764,694</u>
	<u>3,283,617</u>
	968,519
	<u>(968,519)</u>
	-
	3,283,617
	13,513,210
\$	<u><u>16,796,827</u></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, 2015**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ 3,283,617**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Capital outlays	\$ 3,163,479	
Depreciation expense	<u>(2,745,530)</u>	
Net Expense Adjustment		417,949

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (2,977)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there were no additional special termination benefits incurred and benefits paid of \$166,477. Vacation earned was more than the amounts paid by \$11,439. 155,038

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. (96,213)

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: (674,121)

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
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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, 2015**

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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	\$ 240,000
Certificates of participation	270,000
Capital lease and Flex lease obligations	137,684

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.

(442,402)

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

9,163

**Change in Net Position of Governmental Activities**

**\$ 3,304,481**

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, 2015**

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	<b>Governmental Activities - Self Insurance Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 114,241
Receivables	50
<b>Total Assets</b>	<u>114,291</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	-
<b>Total Current Liabilities</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted	114,291
<b>Total Net Position</b>	<u>\$ 114,291</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, 2015**

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	<b>Governmental Activities - Self Insurance Fund</b>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ 17,183
<b>Total Operating Revenues</b>	<u>17,183</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	2,024
Supplies and materials	5,462
Other operating cost	1,000
<b>Total Operating Expenses</b>	<u>8,486</u>
<b>Operating Income</b>	<u>8,697</u>
<b>NONOPERATING REVENUES</b>	
Interest income	466
<b>Total Nonoperating Revenues</b>	<u>466</u>
<b>Change in Net Position</b>	9,163
<b>Total Net Position - Beginning</b>	105,128
<b>Total Net Position - Ending</b>	<u>\$ 114,291</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, 2015**

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	<b>Governmental Activities - Self Insurance Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 17,133
Cash payments to other suppliers of goods or services	(6,462)
Cash payments to employees for services	(2,024)
Net Cash Provided by Operating Activities	<u>8,647</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	466
Net Cash Provided by Investing Activities	<u>466</u>
Net Increase in Cash and Cash Equivalents	9,113
Cash and Cash Equivalents - Beginning	105,128
Cash and Cash Equivalents - Ending	<u><u>\$ 114,241</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 8,697
Changes in assets and liabilities:	
Receivables	(50)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 8,647</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, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 274,382
<b>Total Assets</b>	<u><u>\$ 274,382</u></u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 274,382
<b>Total Liabilities</b>	<u><u>\$ 274,382</u></u>

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### 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, 2015

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

### Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets and fund balance of \$1,389,813, revenues and expenditures increased by \$9,468, and \$6,599, respectively.

**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).

### 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).

**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).

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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).

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

**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 (ASB).

### Basis of Accounting - Measurement Focus

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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, 2015, 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, 2015

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### Capital Assets and Depreciation

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

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

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

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

### Compensated Absences

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

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

### Accounts Payable and Long-Term Obligations

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Debt Issuance Costs and Premiums

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

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

### 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 the current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### 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, 2015, 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.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has no related debt outstanding as of June 30, 2015. 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 \$3,937,838.

### **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.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Estimates

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

### Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

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

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

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

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$48,093,941. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### New Accounting Pronouncements

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

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.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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. 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*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

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

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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 scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 19,824,391
Fiduciary funds	274,382
Total Deposits and Investments	<u>\$ 20,098,773</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 274,382
Cash in revolving	10,000
Investments	19,814,391
Total Deposits and Investments	<u>\$ 20,098,773</u>

#### Policies and Practices

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

**General Authorizations**

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

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

**Interest Rate Risk**

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Segmented Time Distribution**

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 19,836,524	\$ 19,836,524	\$ -	\$ -	\$ -

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2015, consist of intergovernmental grants, entitlements, state apportionments, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Self Insurance Fund	Total
Federal Government				
Categorical aid	\$ 963,353	\$ 238,581	\$ -	\$ 1,201,934
State Government				
State principal apportionment	171,081	-	-	171,081
Other state	1,248,250	34,510	-	1,282,760
Local sources	573,411	184,522	50	757,983
Total	<u>\$ 2,956,095</u>	<u>\$ 457,613</u>	<u>\$ 50</u>	<u>\$ 3,413,758</u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets not being depreciated				
Construction in progress	\$ 12,483,675	\$ 2,745,649	\$ -	\$ 15,229,324
Land	8,938,214	-	-	8,938,214
Total Capital Assets Not Being Depreciated	<u>21,421,889</u>	<u>2,745,649</u>	<u>-</u>	<u>24,167,538</u>
Capital Assets being depreciated				
Land improvements	10,607,154	-	-	10,607,154
Buildings and improvements	93,631,775	7,925	-	93,639,700
Furniture and equipment	6,215,651	409,905	56,665	6,568,891
Total Capital Assets Being Depreciated	<u>110,454,580</u>	<u>417,830</u>	<u>56,665</u>	<u>110,815,745</u>
Less Accumulated Depreciation				
Land improvements	10,222,435	263,565	-	10,486,000
Buildings and improvements	24,427,142	2,271,733	-	26,698,875
Furniture and equipment	4,612,315	210,232	53,688	4,768,859
Total Accumulated Depreciation	<u>39,261,892</u>	<u>2,745,530</u>	<u>53,688</u>	<u>41,953,734</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,614,577</u>	<u>\$ 417,949</u>	<u>\$ 2,977</u>	<u>\$ 93,029,549</u>

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

Governmental Activities	
Instruction	\$ 6,318
Supervision of instruction	562
Home-to-school transportation	166,793
Food services	6,336
Community services	2,244
All other general administration	519
Data processing	3,353
Plant services	2,559,405
Total Depreciation Expenses Governmental Activities	<u>\$ 2,745,530</u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 5 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Fund		
General	\$ 46,677	\$ -
Total Major Governmental Fund	<u>46,677</u>	<u>-</u>
Non-Major Governmental Fund		
Child Development	<u>-</u>	<u>46,677</u>
Total Non-Major Governmental Fund	<u>-</u>	<u>46,677</u>
Total All Governmental Funds	<u>\$ 46,677</u>	<u>\$ 46,677</u>

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

\$ 46,677

**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, 2015, consist of the following:

The General Fund transferred redevelopment funds received to the Special Reserve Capital Outlay Fund.	\$ 944,515
The Capital Facilities Fund transferred to the General Fund for the three percent administrative fee allowed.	22,301
The Tax Override Fund transferred to the General Fund to close out the fund.	538
The County Schools Facilities Fund transferred to the Building Fund to close out the fund.	<u>1,165</u>
Total	<u>\$ 968,519</u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2015, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 3,058,271	\$ 20,900	\$ 21,764	\$ 3,100,935
Salaries payable	1,125,664	-	43,656	1,169,320
Health and Welfare benefits payable	2,079,359	-	-	2,079,359
Total	<u>\$ 6,263,294</u>	<u>\$ 20,900</u>	<u>\$ 65,420</u>	<u>\$ 6,349,614</u>

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	<u>\$ 17,761</u>	<u>\$ 13,289</u>	<u>\$ 31,050</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 20,997,025	\$ 442,402	\$ 240,000	\$ 21,199,427	\$ 305,000
Bond premium	210,723	-	6,743	203,980	6,743
Certificates of participation	910,000	-	270,000	640,000	300,000
Compensated absences	522,162	11,439	-	533,601	-
Flex lease - CSBA	929,772	-	99,695	830,077	103,998
Capital leases	206,978	-	37,989	168,989	39,621
Early retirement incentives	166,477	-	166,477	-	-
Other postemployment benefits	3,646,361	2,301,921	1,627,800	4,320,482	-
Total	<u>\$ 27,589,498</u>	<u>\$ 2,755,762</u>	<u>\$ 2,448,704</u>	<u>\$ 27,896,556</u>	<u>\$ 755,362</u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds		Bonds	
				Outstanding July 1, 2014	Accreted Interest	Redeemed	Outstanding June 30, 2015
8/1/07	9/1/31	4-6.87	\$ 11,999,871	\$ 11,773,041	\$ 99,053	\$ 240,000	\$ 11,632,094
6/3/10	9/1/45	6.47-6.75	8,000,127	9,223,984	343,349	-	9,567,333
Total				<u>\$ 20,997,025</u>	<u>\$ 442,402</u>	<u>\$ 240,000</u>	<u>\$ 21,199,427</u>

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

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

**Debt Service Requirements to Maturity**

Series 2007

Current Interest Portion, required payments:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 305,000	\$ 446,071	\$ 751,071
2017	375,000	433,109	808,109
2018	425,000	417,171	842,171
2019	480,000	395,922	875,922
2020	535,000	376,721	911,721
2021-2025	3,625,000	1,490,907	5,115,907
2026-2029	4,360,000	511,875	4,871,875
Total	<u>\$ 10,105,000</u>	<u>\$ 4,071,776</u>	<u>\$ 14,176,776</u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

Capital Appreciation Portion, required payments:

Fiscal Year	Obligation at Maturity	Accreted Obligation	Interest to Accrete
2030	\$ 1,345,000	\$ 527,509	\$ 817,491
2031	1,395,000	510,849	884,151
2032	1,440,000	488,736	951,264
Total	<u>\$ 4,180,000</u>	<u>\$ 1,527,094</u>	<u>\$ 2,652,906</u>

Series 2010

Current Interest Portion, required payments:

Fiscal Year	Principal	Interest to Maturity <sup>1</sup>	Total
2016	\$ -	\$ 283,800	\$ 283,800
2017	-	283,800	283,800
2018	-	283,800	283,800
2019	-	283,800	283,800
2020	-	283,800	283,800
2021-2025	-	1,419,000	1,419,000
2026-2030	-	1,419,000	1,419,000
2031-2035	-	1,419,000	1,419,000
2036-2040	2,100,000	1,419,000	3,519,000
2041	2,200,000	145,200	2,345,200
Total	<u>\$ 4,300,000</u>	<u>\$ 7,240,200</u>	<u>\$ 11,540,200</u>

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

Capital Appreciation Portion, required payments:

Fiscal Year	Obligation at Maturity	Accreted Obligation	Interest to Accrete
2033-2037	\$ 8,720,000	\$ 2,276,256	\$ 6,443,744
2038-2039	4,085,000	942,077	3,142,923
2042-2046 <sup>1</sup>	13,025,814	2,049,000	10,976,814
Total	<u>\$ 25,830,814</u>	<u>\$ 5,267,333</u>	<u>\$ 20,563,481</u>

<sup>1</sup> Term bonds subject to mandatory early redemption.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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**Certificates of Participation**

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

The certificates mature through 2017 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 300,000	\$ 25,895	\$ 325,895
2017	340,000	9,010	349,010
Total	<u>\$ 640,000</u>	<u>\$ 34,905</u>	<u>\$ 674,905</u>

**Compensated Absences**

The long-term portion of compensated absences for the District at June 30, 2015, amounted to \$533,601.

**Flex Lease**

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

At June 30, 2015, future minimum payments were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 103,998	\$ 34,587	\$ 138,585
2017	108,498	30,068	138,566
2018	113,202	25,352	138,554
2019	118,124	20,432	138,556
2020	123,273	15,297	138,570
2021-2022	262,982	14,287	277,269
Total	<u>\$ 830,077</u>	<u>\$ 140,023</u>	<u>\$ 970,100</u>

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### Capital Leases

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

	<u>Principal</u>
Balance, July 1, 2014	\$ 206,978
Payments	37,989
Balance, June 30, 2015	<u>\$ 168,989</u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2016	\$ 46,386
2017	46,386
2018	46,386
2019	46,386
Total	<u>185,544</u>
Less: Amount Representing Interest	16,555
Present Value of Minimum Lease Payments	<u>\$ 168,989</u>

### Early Retirement Agreements

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

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$2,163,950, and contributions made by the District during the year were \$1,231,245 (including the implicit rate subsidy factor of 1.2739). Interest on the net OPEB obligation and adjustments to the annual required contribution were \$137,971 and \$(396,555), respectively, which resulted in an increase to the net OPEB obligation of \$674,121. As of June 30, 2015, the net OPEB obligation was \$4,320,482. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Stores inventories	-	-	53,633	53,633
Total Nonspendable	<u>10,000</u>	<u>-</u>	<u>53,633</u>	<u>63,633</u>
Restricted				
Legally restricted programs	822,914	-	-	822,914
Capital projects	-	-	2,125,670	2,125,670
Debt services	-	-	1,077,355	1,077,355
Child care programs	-	-	17,738	17,738
Food service	-	-	567,700	567,700
Total Restricted	<u>822,914</u>	<u>-</u>	<u>3,788,463</u>	<u>4,611,377</u>
Assigned				
Pupil transportation needs	86,135	-	-	86,135
Capital projects	-	5,984,349	-	5,984,349
Total Assigned	<u>86,135</u>	<u>5,984,349</u>	<u>-</u>	<u>6,070,484</u>
Unassigned				
Reserve for economic uncertainties	6,051,333	-	-	6,051,333
Total Unassigned	<u>6,051,333</u>	<u>-</u>	<u>-</u>	<u>6,051,333</u>
Total	<u>\$ 6,970,382</u>	<u>\$ 5,984,349</u>	<u>\$ 3,842,096</u>	<u>\$ 16,796,827</u>

**NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2015, the following District major fund exceeded the budgeted amounts as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General			
Certificated salaries	\$ 26,122,965	\$ 26,140,193	\$ 17,228
Capital outlay	\$ 345,249	\$ 346,543	\$ 1,294

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Paso Robles Joint Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of approximately 80 retirees and beneficiaries currently receiving benefits and approximately 545 active plan members as of the actuarial date.

#### Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (PRPE), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$966,516 (excludes implicit rate subsidy) to the plan, all of which was used for current premiums.

#### Annual OPEB Cost and Net Asset/OPEB Obligation

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

Annual required contribution	\$ 2,163,950
Interest on net OPEB obligation	137,971
Adjustment to annual required contribution	(396,555)
Annual OPEB cost (expense)	<u>1,905,366</u>
Contributions made	<u>(1,231,245)</u>
Increase in net OPEB obligation	674,121
Net OPEB obligation, beginning of year	<u>3,646,361</u>
Net OPEB obligation, end of year	<u><u>\$ 4,320,482</u></u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,905,366	\$ 1,231,245	64.62%	\$ 4,320,482
2014	1,875,139	1,429,850	76.25%	3,646,361
2013	1,890,684	1,018,844	53.89%	3,201,072

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

**Funded Status and Funding Progress**

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

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

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

**Actuarial Methods and Assumptions**

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In the July 1, 2014, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 8.0 percent to an ultimate rate of 5.0 percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2014, was 29 years.

### **NOTE 12 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with the Self Insured Schools of California II (SISC II) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2015, the District participated in the Self Insurance Program for Employees (SIPE), an insurance purchasing pool. The intent of SIPE is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SIPE. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SIPE. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SIPE. Participation in SIPE is limited to districts that can meet SIPE selection criteria.

#### **Employee Medical Benefits**

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 30,558,899	\$ 2,277,432	\$ 7,525,071	\$ 2,638,220
CalPERS	10,087,174	1,169,623	3,466,066	896,544
Total	<u>\$ 40,646,073</u>	<u>\$ 3,447,055</u>	<u>\$ 10,991,137</u>	<u>\$ 3,534,764</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$2,277,432.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 30,558,899
State's proportionate share of the net pension liability associated with the District	<u>18,452,783</u>
Total	<u><u>\$ 49,011,682</u></u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0523 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,638,220. In addition, the District recognized revenue and pension expense of \$1,593,071 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,277,432	\$ -
Difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>7,525,071</u>
Total	<u><u>\$ 2,277,432</u></u>	<u><u>\$ 7,525,071</u></u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,881,268
2017	1,881,268
2018	1,881,268
2019	1,881,267
Total	<u>\$ 7,525,071</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

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

**Discount Rate**

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 47,633,331
Current discount rate (7.60%)	\$ 30,558,899
1% increase (8.60%)	\$ 16,321,925

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$1,169,623.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$10,087,174. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0889 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$896,544. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,169,623	\$ -
Difference between projected and actual earnings on pension plan investments	-	3,466,066
Total	<u>\$ 1,169,623</u>	<u>\$ 3,466,066</u>

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 866,517
2017	866,517
2018	866,517
2019	866,515
Total	<u>\$ 3,466,066</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 17,695,207
Current discount rate (7.50%)	\$ 10,087,174
1% increase (8.50%)	\$ 3,729,897

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,277,787 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

### NOTE 14 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

#### Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Physical Education Facility and Practice Gym-High School	<u>\$ 172,000</u>	December 2015

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

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

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

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

During the year ended June 30, 2015, the District made payments of \$8,619,776, \$753,578, and \$303,930 to SISC III, SIPE, and SISC II, respectively for its health, workers' compensation, and property liability coverage.

### NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 78,643,416
Restatement - GASB Statement No. 68, Net Pension Liability	<u>(48,093,941)</u>
Net Position - Beginning as Restated	<u><u>\$ 30,549,475</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>			<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 47,490,203	\$ 48,515,408	\$ 48,608,887	\$ 93,479
Federal sources	3,306,175	4,004,503	3,909,318	(95,185)
Other State sources	2,082,572	2,863,324	2,770,280	(93,044)
Other local sources	3,748,239	4,162,349	4,241,389	79,040
<b>Total Revenues <sup>1</sup></b>	<b>56,627,189</b>	<b>59,545,584</b>	<b>59,529,874</b>	<b>(15,710)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	24,808,642	26,122,965	26,140,193	(17,228)
Classified salaries	9,438,955	10,167,482	10,000,408	167,074
Employee benefits	11,422,250	11,373,894	11,258,576	115,318
Books and supplies	2,501,115	3,531,653	2,739,682	791,971
Services and operating expenditures	6,679,227	7,493,089	6,041,137	1,451,952
Other outgo	763,387	784,297	780,159	4,138
Capital outlay	15,000	345,249	346,543	(1,294)
<b>Total Expenditures <sup>1</sup></b>	<b>55,628,576</b>	<b>59,818,629</b>	<b>57,306,698</b>	<b>2,511,931</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>998,613</b>	<b>(273,045)</b>	<b>2,223,176</b>	<b>2,496,221</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	15,000	15,000	22,839	7,839
Transfers out	(962,171)	(981,839)	(944,515)	37,324
<b>Net Financing Sources (Uses)</b>	<b>(947,171)</b>	<b>(966,839)</b>	<b>(921,676)</b>	<b>45,163</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>51,442</b>	<b>(1,239,884)</b>	<b>1,301,500</b>	<b>2,541,384</b>
<b>Fund Balance - Beginning</b>	<b>5,668,882</b>	<b>5,668,882</b>	<b>5,668,882</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 5,720,324</b>	<b>\$ 4,428,998</b>	<b>\$ 6,970,382</b>	<b>\$ 2,541,384</b>

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability (asset)	<u>0.0523%</u>
District's proportionate share of the net pension liability (asset)	\$ 30,558,899
State's proportionate share of the net pension liability (asset) associated with the District	<u>18,452,783</u>
Total	<u>\$ 49,011,682</u>
District's covered - employee payroll	<u>\$ 23,775,939</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>128.53%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 <b>CalPERS</b>	
District's proportion of the net pension liability (asset)	<u>0.0889%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 10,087,174</u>
District's covered - employee payroll	<u>\$ 9,366,623</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>107.69%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 2,277,432
Contributions in relation to the contractually required contribution	<u>(2,277,432)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 25,646,757</u>
 Contributions as a percentage of covered - employee payroll	 <u>8.88%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 1,169,623
Contributions in relation to the contractually required contribution	<u>(1,169,623)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered - employee payroll	 <u>\$ 9,936,479</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.771%</u>

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

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***SUPPLEMENTARY INFORMATION***

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**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education:			
No Child Left Behind			
Title I - Part A, Basic	84.010	14329	\$ 1,091,381
Title I - Part C, Migrant Education	84.011	14326	268,529
Title I - Part G, Advance Placement Incentive Program	84.330	14831	2,109
Title II - Part A, Improving Teacher Quality	84.367	14341	217,286
Title II - Part B, Math and Science Partnerships	84.366	14512	430,680
Title III - LEP	84.365	14346	191,631
Title IV - Safe and Drug Free Schools	84.186	14347	288
Special Education Cluster			
IDEA - Basic Local Assistance	84.027	13379	1,061,007
IDEA - Local Assistance - Private School	84.027	10115	19,214
IDEA - Preschool Grants	84.173	13430	59,560
IDEA - Preschool Local Entitlement	84.027A	13682	116,109
Subtotal Special Education Cluster			<u>1,255,890</u>
Vocational Educational Grants Technology Secondary II	84.048	14894	58,417
Total U.S. Department of Education			<u>3,516,211</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Learn and Serve America District Partnerships and Regional Networks	94.004	13161	1,356
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health			
Care Services:			
Child Care and Development Block Grant	93.596	13609	83,046
Medicaid Programs:			
Medical Administrative Activities	93.778	10060	273,093
Medi-Cal Billing	93.778	10013	118,660
Subtotal Medicaid Programs			<u>391,753</u>
Total Department of Health and Human Services			<u>474,799</u>

See accompanying note to supplementary information.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	\$ 966,133
Especially Needy Breakfast	10.553	13526	409,332
Meals Supplements - Snack	10.555	13391	8,184
Food Distribution - Commodities	10.555	13391	86,679
Subtotal Child Nutrition Cluster			<u>1,470,328</u>
Total U.S. Department of Agriculture			<u>1,470,328</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,462,694</u></u>

See accompanying note to supplementary information.

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

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

### GOVERNING BOARD

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

### ADMINISTRATION

Chris Williams	Superintendent
Vacant	Chief Financial Officer
Dr. Ruben Canales	Chief Human Resources Officer
Karin Bruck	Director of Fiscal Services

See accompanying note to supplementary information.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,846.01	1,846.34
Fourth through sixth	1,368.68	1,366.96
Seventh and eighth	941.76	940.34
Ninth through twelfth	2,071.09	2,046.06
Total Regular ADA	<u>6,227.54</u>	<u>6,199.70</u>
Extended Year Special Education		
Transitional kindergarten through third	2.73	2.73
Fourth through sixth	1.95	1.95
Seventh and eighth	2.44	2.44
Ninth through twelfth	1.78	1.78
Total Extended Year Special Education	<u>8.90</u>	<u>8.90</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	1.93	1.76
Ninth through twelfth	2.94	2.79
Total Special Education, Nonpublic, Nonsectarian Schools	<u>4.87</u>	<u>4.55</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.09	0.09
Ninth through twelfth	0.45	0.45
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.54</u>	<u>0.54</u>
Total ADA	<u><u>6,241.85</u></u>	<u><u>6,213.69</u></u>

See accompanying note to supplementary information.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	1986-1987	Reduced	2014-2015 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-1987 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,675	180	N/A	Complied
Grade 2			50,675	180	N/A	Complied
Grade 3			50,675	180	N/A	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			55,145	180	N/A	Complied
Grade 5			55,145	180	N/A	Complied
Grade 6			58,909	180	N/A	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			58,909	180	N/A	Complied
Grade 8			58,909	180	N/A	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,955	180	N/A	Complied
Grade 10			64,955	180	N/A	Complied
Grade 11			64,955	180	N/A	Complied
Grade 12			64,955	180	N/A	Complied

See accompanying note to supplementary information.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no adjustments to the Unaudited Actual Financial Report which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 <sup>1,4</sup>	2015 <sup>4</sup>	2014 <sup>4,5</sup>	2013 <sup>4</sup>
<b>GENERAL FUND</b>				
Revenues	\$ 66,952,599	\$ 59,520,406	\$ 55,238,044	\$ 54,545,272
Other sources and transfers in	16,800	22,301	-	385,000
Total Revenues <sup>3</sup>	66,969,399	59,542,707	55,238,044	54,930,272
Expenditures	60,298,884	57,300,099	54,005,093	50,953,700
Other uses and transfers out	971,436	947,614	1,077,386	2,563,258
Total Expenditures and Other Uses <sup>3</sup>	61,270,320	58,247,713	55,082,479	53,516,958
INCREASE/(DECREASE) IN FUND BALANCE	\$ 5,699,079	\$ 1,294,994	\$ 155,565	\$ 1,413,314
ENDING FUND BALANCE	\$ 11,279,648	\$ 5,580,569	\$ 4,285,575	\$ 4,130,010
AVAILABLE RESERVES <sup>2</sup>	\$ 11,750,420	\$ 6,051,333	\$ 3,925,348	\$ 4,547,031
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	19.2%	10.4%	7.1%	8.5%
LONG-TERM OBLIGATIONS	Not Available	\$ 68,542,629	\$ 78,672,267	\$ 27,389,619
AVERAGE DAILY ATTENDANCE AT P-2	6,242	6,242	6,213	6,243

The General Fund balance increased by \$1,450,559 over the past two years. The 2015-2016 adopted budget projects an increase of \$5,699,079 (102.12 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased over the past two years due to the recognition of a net pension liability totaling \$40,646,073 as required by the implementation of GASB Statement No. 68.

Average daily attendance has decreased by one over the past two years. ADA is anticipated to remain at the current level during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances contained within the General Fund.

<sup>3</sup> On behalf payments have been excluded from revenues and expenditures in this schedule.

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

<sup>5</sup> The 2014 long-term obligations were restated due to GASB Statement No. 68.

See accompanying note to supplementary information.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 1	\$ 335,937	\$ 729,923
Receivables	93,879	278,256	-
Stores inventories	-	53,633	-
<b>Total Assets</b>	<b>\$ 93,880</b>	<b>\$ 667,826</b>	<b>\$ 729,923</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 16,176	\$ 46,493	\$ 2,751
Due to other funds	46,677	-	-
Unearned revenue	13,289	-	-
<b>Total Liabilities</b>	<b>76,142</b>	<b>46,493</b>	<b>2,751</b>
<b>Fund Balances:</b>			
Nonspendable	-	53,633	-
Restricted	17,738	567,700	727,172
<b>Total Fund Balances</b>	<b>17,738</b>	<b>621,333</b>	<b>727,172</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 93,880</b>	<b>\$ 667,826</b>	<b>\$ 729,923</b>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 1,313,020	\$ -	\$ 1,077,355	\$ -	\$ 3,456,236
85,478	-	-	-	457,613
-	-	-	-	53,633
<u>\$ 1,398,498</u>	<u>\$ -</u>	<u>\$ 1,077,355</u>	<u>\$ -</u>	<u>\$ 3,967,482</u>
\$ -	\$ -	\$ -	\$ -	\$ 65,420
-	-	-	-	46,677
-	-	-	-	13,289
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,386</u>
-	-	-	-	53,633
<u>1,398,498</u>	<u>-</u>	<u>1,077,355</u>	<u>-</u>	<u>3,788,463</u>
<u>1,398,498</u>	<u>-</u>	<u>1,077,355</u>	<u>-</u>	<u>3,842,096</u>
<u>\$ 1,398,498</u>	<u>\$ -</u>	<u>\$ 1,077,355</u>	<u>\$ -</u>	<u>\$ 3,967,482</u>

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 83,046	\$ 1,383,649	\$ -
Other State sources	106,201	123,996	-
Other local sources	450,006	1,043,986	15,644
<b>Total Revenues</b>	<u>639,253</u>	<u>2,551,631</u>	<u>15,644</u>
<b>EXPENDITURES</b>			
Current			
Instruction-related activities:			
Supervision of instruction	43,372	-	-
Pupil services:			
Food services	-	2,217,762	-
Administration:			
All other administration	27,388	136,640	-
Plant services	35,136	199,481	1,476
Facility acquisition and construction	-	-	2,738,674
Community services	516,761	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>622,657</u>	<u>2,553,883</u>	<u>2,740,150</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>16,596</u>	<u>(2,252)</u>	<u>(2,724,506)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	1,165
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>1,165</u>
<b>NET CHANGE IN FUND BALANCES</b>	16,596	(2,252)	(2,723,341)
<b>Fund Balance - Beginning</b>	1,142	623,585	3,450,513
<b>Fund Balance - Ending</b>	<u>\$ 17,738</u>	<u>\$ 621,333</u>	<u>\$ 727,172</u>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,466,695
-	-	7,242	-	237,439
748,016	2	941,715	538	3,199,907
<u>748,016</u>	<u>2</u>	<u>948,957</u>	<u>538</u>	<u>4,904,041</u>
-	-	-	-	43,372
-	-	-	-	2,217,762
7,008	-	-	-	171,036
23,643	-	-	-	259,736
-	-	-	-	2,738,674
-	-	-	-	516,761
407,684	-	240,000	-	647,684
87,973	-	646,265	-	734,238
<u>526,308</u>	<u>-</u>	<u>886,265</u>	<u>-</u>	<u>7,329,263</u>
<u>221,708</u>	<u>2</u>	<u>62,692</u>	<u>538</u>	<u>(2,425,222)</u>
-	-	-	-	1,165
(22,301)	(1,165)	-	(538)	(24,004)
<u>(22,301)</u>	<u>(1,165)</u>	<u>-</u>	<u>(538)</u>	<u>(22,839)</u>
199,407	(1,163)	62,692	-	(2,448,061)
1,199,091	1,163	1,014,663	-	6,290,157
<u>\$ 1,398,498</u>	<u>\$ -</u>	<u>\$ 1,077,355</u>	<u>\$ -</u>	<u>\$ 3,842,096</u>

# PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 9,705,461
Reconciling items:		
Food Distribution - Commodities	10.555	86,679
FEMA Payment	N/A	(4,329,446)
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,462,694</u>

#### Local Education Agency Organization Structure

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

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

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

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

# **PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015**

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### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paso Robles Joint Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Paso Robles Joint Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Paso Robles Joint Unified School District in a separate letter dated December 5, 2015.

### **Purpose of This Report**

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 5, 2015



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

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

**Report on Compliance for Each Major Federal Program**

We have audited Paso Robles Joint Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Paso Robles Joint Unified School District's (the District) major Federal programs for the year ended June 30, 2015. Paso Robles Joint Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Paso Robles Joint Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Paso Robles Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Paso Robles Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Paso Robles Joint Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Paso Robles Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paso Robles Joint Unified School District's internal control over compliance.

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

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

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

*Varrink, Trine, Day & Co., LLP*

Fresno, California  
December 5, 2015



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### Report on State Compliance

We have audited Paso Robles Joint Unified School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Paso Robles Joint Unified School District's State government programs as noted below for the year ended June 30, 2015.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Paso Robles Joint Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Paso Robles Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Paso Robles Joint Unified School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Paso Robles Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No (see below)
Adult Education Maintenance of Effort	No (see below)
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program. The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools. The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools. The District did not have any Regional Occupational Centers or Programs in fiscal year 2012-2013; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort. The District did not have any Adult Education programs in fiscal year 2012-2013; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort. We did not perform the recommended procedures for the California Clean Energy Jobs Act because the District did not expend any California Clean Energy Jobs Act funds. The District does not offer a Before School Education and

Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program. The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vannink, Trini, Day & Co, LLP

Fresno, California  
December 5, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.366</u>	<u>Title II, Part B, Math and Science Partnerships</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

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

**STATE AWARDS**

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

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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



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

In planning and performing our audit of the financial statements of Paso Robles Joint Unified School District, for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2015, on the government-wide financial statements of the District.

***PASO ROBLES HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Master Ticket Log***

**Observation**

A master ticket log is not being utilized to account for all tickets on hand and used during the year.

**Recommendation**

A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. The log should be used in conjunction with a ticket sales recap form.

***WINFRED PIFER ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Cash Receipts***

**Observation**

Prenumbered receipts are not included with bank deposit documentation. This makes it impossible to determine when cash was received, from whom the cash was received, or how intact and timely deposits were.

**Recommendation**

Prenumbered receipts or tally sheets should be issued for all cash collections by teacher, advisors and the site bookkeeper and included with the bank deposit documentation.

Governing Board  
Paso Robles Joint Unified School District

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

*Vannink, Trine, Day & Co, LLP*

Fresno, California  
December 5, 2015