POINT ARENA SCHOOLS

AUDIT REPORT

JUNE 30, 2015

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates

A PROFESSIONAL ACCOUNTANCY CORPORATION

POINT ARENA SCHOOLS
OF MENDOCINO COUNTY

POINT ARENA, CALIFORNIA

JUNE 30, 2015

Point Arena Schools is one of ten common administration districts in the State of California. It is comprised of the Arena Union Elementary School District (the "Elementary District") and the Point Arena Joint Union High School District (the "High School District"). The Districts are governed by a single board of elected officials.

The Elementary District was established on July 13, 1885, and is comprised of an area of approximately 250 square miles located on the Mendocino Coast and adjoins the Sonoma County line. There were no changes in the boundaries of the Elementary District during the current year. The Elementary District currently operates one elementary school and maintains an independent study program. The Elementary District is also the authorizing agency for an independent charter school.

The High School District was established on May 1904, and is comprised of an area of approximately 400 square miles located on the Mendocino Coast. It includes the southern part of Mendocino and the northern most part of Sonoma County. There were no changes in the boundaries of the High School during the current year. The High School District is currently operating two schools providing instruction in grades 9 through 12.

GOVERNING BOARD

Member	Office	Term Expires
Ron Miles	President	June 30, 2015
Cindy Cione	Clerk	June 30, 2017
Jim DeWilder	Member	June 30, 2015
Bob Gardiner	Member	June 30, 2015
Leslie Bates	Member	June 30, 2017
Robert Shimon	Member	June 30, 2017
Vikki Robinson	Member	June 30, 2017

DISTRICT ADMINISTRATORS

Colleen Cross
Superintendent

Catherine Chin
Business Manager

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

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INDEPENDENT AUDITORS' REPORT

Governing Board
Point Arena Schools
Point Arena, 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 Point Arena Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Point Arena Schools' 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. 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 entity'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 entity'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 Point Arena Schools, 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 a Matter

As described in Note 1 to the financial statements, in 2015 Point Arena Schools adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions.* 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, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Point Arena Schools' basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 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 10, 2015 on our consideration of Point Arena Schools' 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 Point Arena Schools' internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 10, 2015

POINT ARENA SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

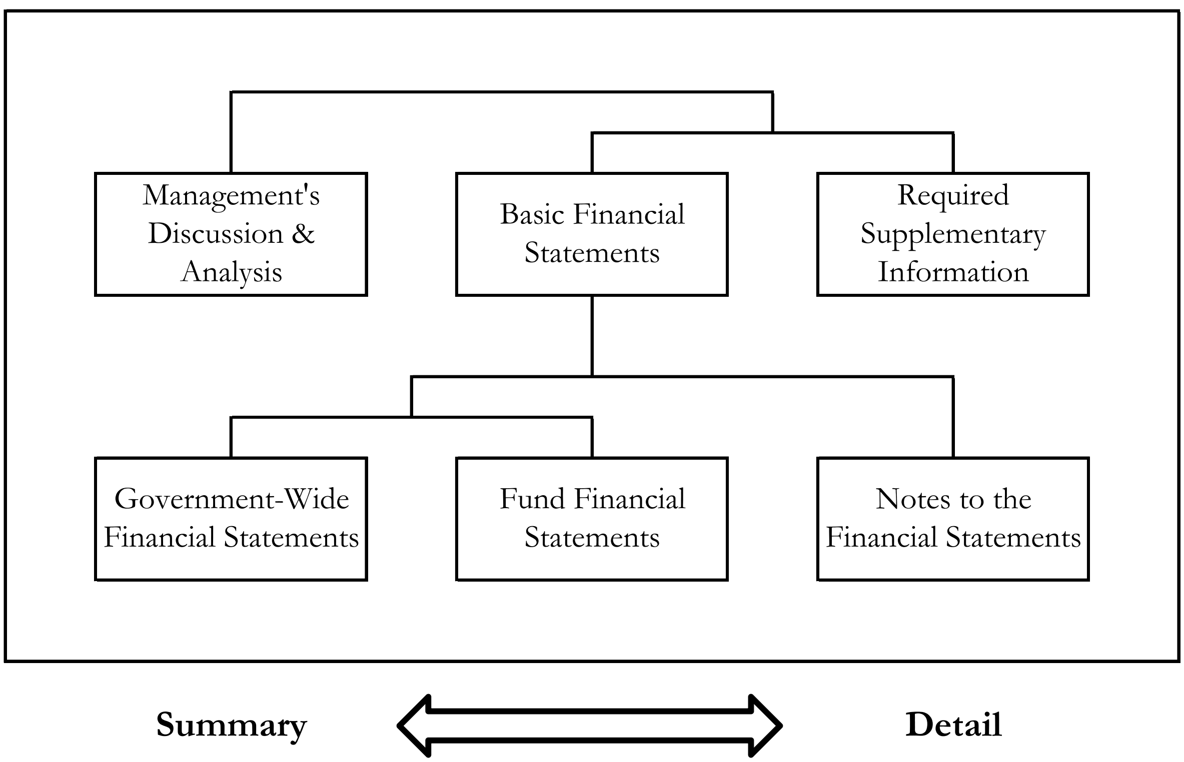
Our discussion and analysis of Point Arena Schools' (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was ($439,688) at June 30, 2015. This was a decrease of $5,374,979 from the prior year's restated net position.
- Overall revenues were $8,391,095 which exceeded expenses of $8,311,107.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

    - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

    - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and trust funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-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 government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is 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 health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was ($439,688) at June 30, 2015, as reflected in table below. Of this amount, ($6,254,229) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2015	**2014**	**Net Change**
ASSETS			
Current and other assets	$ 3,297,174	$ 3,388,240	$ (91,066)
Capital assets	8,449,995	8,645,106	(195,111)
Total Assets	11,747,169	12,033,346	(286,177)
DEFERRED OUTFLOWS OF RESOURCES	378,406	-	378,406
LIABILITIES			
Current liabilities	677,162	633,395	43,767
Long-term liabilities	10,541,642	6,464,660	4,076,982
Total Liabilities	11,218,804	7,098,055	4,120,749
DEFERRED INFLOWS OF RESOURCES	1,346,459	-	1,346,459
NET POSITION			
Net investment in capital assets	3,500,316	3,311,803	188,513
Restricted	2,314,225	665,154	1,649,071
Unrestricted	(6,254,229)	958,334	(7,212,563)
Total Net Position	$ (439,688)	$ 4,935,291	$ (5,374,979)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2015	2014	Net Change
REVENUES			
Program revenues			
Charges for services	$ 231,321	$ 185,377	$ 45,944
Operating grants and contributions	1,130,435	1,240,880	(110,445)
General revenues			
Property taxes	6,017,770	5,844,304	173,466
Unrestricted federal and state aid	697,887	649,067	48,820
Other	313,682	406,187	(92,505)
Total Revenues	8,391,095	8,325,815	65,280
EXPENSES			
Instruction	3,893,214	3,501,881	391,333
Instruction-related services	883,028	869,262	13,766
Pupil services	1,057,865	1,035,552	22,313
General administration	754,762	699,780	54,982
Plant services	1,107,047	936,719	170,328
Ancillary and community services	273,486	275,972	(2,486)
Debt service	335,632	337,413	(1,781)
Other Outgo	-	12,568	(12,568)
Depreciation	-	323,719	(323,719)
Other	6,073	10,637	(4,564)
Total Expenses	8,311,107	8,003,503	307,604
Change in net position	79,988	322,312	(242,324)
Net Position - Beginning, as Restated*	(519,676)	4,612,979	(5,132,655)
Net Position - Ending	$ (439,688)	$ 4,935,291	$ (5,374,979)

** Restatement to Beginning Net Position relates to both the 2015 year and the 2014 year*

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2015	2014
Instruction	$ 3,204,746	$ 2,807,238
Instruction-related services	826,516	748,467
Pupil services	626,209	581,811
General administration	751,984	687,504
Plant services	1,085,067	918,661
Ancillary and community services	161,483	149,418
Debt service	335,632	337,413
Transfers to other agencies	(47,613)	12,568
Depreciation	-	323,719
Other	5,327	10,447
Total Expenses	$ 6,949,351	$ 6,577,246

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $3,024,532, which is less than last year's ending fund balance of $3,144,160. The District's General Fund had $10,604 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Building Fund had $40,613 less in operating revenues than expenditures for the year ended June 30, 2015. The District's Bond Interest and Redemption Fund had $41,119 more in operating revenues than expenditures for the year ended June 30, 2015.

CURRENT YEAR BUDGET 2014-15

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested $8,449,995 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2015	2014	Net Change
CAPITAL ASSETS			
Land	$ 55,000	$ 55,000	$ -
Construction in progress	535,648	506,585	29,063
Land improvements	848,590	813,199	35,391
Buildings & improvements	9,691,358	9,623,154	68,204
Furniture & equipment	488,838	488,838	-
Accumulated depreciation	(3,169,439)	(2,841,670)	(327,769)
Total Capital Assets	$ 8,449,995	$ 8,645,106	$ (195,111)

Long-Term Debt

At year-end, the District had $10,541,642 in long-term debt, an increase of 63% from last year – as shown in table below. This is increase is mainly due to the recognition of the district's net pension liability. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2015	2014	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 5,869,922	$ 6,176,309	$ (306,387)
Total certificates of participation	478,148	533,433	(55,285)
Capital leases	9,772	16,403	(6,631)
Compensated absences	26,787	30,541	(3,754)
Net OPEB obligation	103,937	132,433	(28,496)
Net pension liability	4,477,275	-	4,477,275
Less: current portion of long-term debt	(424,199)	(424,459)	260
Total Long-term Liabilities	$ 10,541,642	$ 6,464,660	$ 4,076,982

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The State's economy is expected to grow at a modest rate of about 2%-3% annually over the next two years with little chance of recession, according to the UCLA Anderson Economic Forecast for September 2015. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions,* is effective in the 2014-15 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years, and the increased costs could be significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2015-16 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Manager, Catherine Chin, at P.O. Box 87; Point Arena, CA 95468, (707) 882-2803.

POINT ARENA SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	2,856,346
Accounts receivable		435,391
Inventory		5,437
Capital assets, not depreciated		590,648
Capital assets, net of accumulated depreciation		7,859,347
Total Assets		11,747,169
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		378,406
Total Deferred Outflows of Resources		378,406
LIABILITIES		
Deficit cash		34,509
Accrued liabilities		218,454
Long-term liabilities, current portion		424,199
Long-term liabilities, non-current portion		10,541,642
Total Liabilities		11,218,804
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		1,346,459
Total Deferred Inflows of Resources		1,346,459
NET POSITION		
Net investment in capital assets		3,500,316
Restricted:		
Capital projects		1,702,119
Debt service		536,109
Educational programs		75,997
Unrestricted		(6,254,229)
Total Net Position	$	(439,688)

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

POINT ARENA SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES				
Instruction	$ 3,893,214	$123,790	$564,678	$ (3,204,746)
Instruction-related services				
Instructional supervision and administration	53,776	1,769	30,954	(21,053)
Instructional library, media, and technology	196,595	176	1,607	(194,812)
School site administration	632,657	1,689	20,317	(610,651)
Pupil services				
Home-to-school transportation	362,354	-	-	(362,354)
Food services	488,987	74,148	310,760	(104,079)
All other pupil services	206,524	843	45,905	(159,776)
General administration				
Centralized data processing	35,944	-	-	(35,944)
All other general administration	718,818	-	2,778	(716,040)
Plant services	1,107,047	1,423	20,557	(1,085,067)
Ancillary services	242,910	9,653	102,294	(130,963)
Community services	30,576	21	35	(30,520)
Enterprise activities	6,073	137	609	(5,327)
Interest on long-term debt	335,632	-	-	(335,632)
Total Governmental Activities	$ 8,311,107	$ 231,321	$ 1,130,435	(6,949,351)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	5,364,817
Property taxes, levied for debt service	652,389
Property taxes, levied for other specific purposes	564
Federal and state aid not restricted for specific purposes	697,887
Interest and investment earnings	6,153
Interagency revenues	106,899
Miscellaneous	200,630
Subtotal, General Revenue	7,029,339
CHANGE IN NET POSITION	79,988
Net Position - Beginning, as Restated	(519,676)
Net Position - Ending	$ (439,688)

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

POINT ARENA SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,097,587	$ 11,514	$ 592,335	$ 79,005	$ 2,780,441
Accounts receivable	399,699	-	-	35,692	435,391
Due from other funds	755	-	-	8,000	8,755
Stores inventory	-	-	-	5,437	5,437
Total Assets	$ 2,498,041	$ 11,514	$ 592,335	$ 128,134	$ 3,230,024
LIABILITIES					
Deficit cash	$ -	$ -	$ -	$ 34,509	$ 34,509
Accrued liabilities	150,261	11,503	-	464	162,228
Due to other funds	8,000	11	-	744	8,755
Total Liabilities	158,261	11,514	-	35,717	205,492
FUND BALANCES					
Nonspendable	3,150	-	-	5,437	8,587
Restricted	75,997	-	592,335	17,807	686,139
Assigned	766,666	-	-	69,175	835,841
Unassigned	1,493,967	-	-	(2)	1,493,965
Total Fund Balances	2,339,780	-	592,335	92,417	3,024,532
Total Liabilities and Fund Balances	$ 2,498,041	$ 11,514	$ 592,335	$ 128,134	$ 3,230,024

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

Total Fund Balance - Governmental Funds		$ 3,024,532
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 11,619,434	
Accumulated depreciation	(3,169,439)	8,449,995
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(56,226)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 5,869,922	
Total certificates of participation	478,148	
Capital leases	9,772	
Compensated absences	26,787	
Net OPEB obligation	103,937	
Net pension liability	4,477,275	(10,965,841)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 378,406	
Deferred inflows of resources related to pensions	(1,346,459)	(968,053)
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		75,905
Total Net Position - Governmental Activities		$ (439,688)

POINT ARENA SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 5,673,260	$ -	$ -	$ -	$ 5,673,260
Federal sources	468,699	-	-	172,861	641,560
Other state sources	347,420	-	2,280	13,516	363,216
Other local sources	645,427	54	652,928	382,764	1,681,173
Total Revenues	7,134,806	54	655,208	569,141	8,359,209
EXPENDITURES					
Current					
Instruction	3,452,491	-	-	110,131	3,562,622
Instruction-related services					
Instructional supervision and administration	52,514	-	-	-	52,514
Instructional library, media, and technology	195,368	-	-	-	195,368
School site administration	630,397	-	-	-	630,397
Pupil services					
Home-to-school transportation	339,098	-	-	17,442	356,540
Food services	12,053	-	-	482,543	494,596
All other pupil services	208,614	-	-	-	208,614
General administration					
Centralized data processing	35,944	-	-	-	35,944
All other general administration	726,946	-	-	-	726,946
Plant services	1,116,739	-	-	8,105	1,124,844
Facilities acquisition and maintenance	91,991	40,667	-	-	132,658
Ancillary services	240,336	-	-	-	240,336
Community services	30,332	-	-	-	30,332
Enterprise activities	5,161	-	-	912	6,073
Debt service					
Principal	6,631	-	324,487	55,285	386,403
Interest and other	795	-	289,602	28,219	318,616
Total Expenditures	7,145,410	40,667	614,089	702,637	8,502,803
Excess (Deficiency) of Revenues					
Over Expenditures	(10,604)	(40,613)	41,119	(133,496)	(143,594)
Other Financing Sources (Uses)					
Transfers in	23,966	-	-	154,316	178,282
Transfers out	(154,316)	-	-	-	(154,316)
Net Financing Sources (Uses)	(130,350)	-	-	154,316	23,966
NET CHANGE IN FUND BALANCE	(140,954)	(40,613)	41,119	20,820	(119,628)
Fund Balance - Beginning	2,480,734	40,613	551,216	71,597	3,144,160
Fund Balance - Ending	$ 2,339,780	$ -	$ 592,335	$ 92,417	$ 3,024,532

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

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

Net Change in Fund Balances - Governmental Funds		$ (119,628)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 132,658	
Depreciation expense:	(327,769)	(195,111)
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		386,403
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		1,084
Accreted interest on long-term debt:		
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.		(55,934)
Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		3,754
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:		28,496

(Continued on following page)

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

POINT ARENA SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2015

Pensions:	
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	9,639
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	37,834
Internal Service Funds:	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	(16,549)
Change in Net Position of Governmental Activities	$ 79,988

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

POINT ARENA SCHOOLS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	
	Internal Service Fund	
ASSETS		
Current assets		
Cash and cash equivalents	$	75,905
Total current assets		75,905
Total Assets		75,905
NET POSITION		
Unrestricted		75,905
Total Net Position	$	75,905

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

POINT ARENA SCHOOLS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities Internal Service Fund
OPERATING REVENUE	
Charges for services	$ 10,524
Other local revenues	144
Total operating revenues	10,668
OPERATING EXPENSE	
Professional services	3,677
Total operating expenses	3,677
Operating income/(loss)	6,991
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	426
Transfers out	(23,966)
Total non-operating revenues/(expenses)	(23,540)
CHANGE IN NET POSITION	(16,549)
Net Position - Beginning	92,454
Net Position - Ending	$ 75,905

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

POINT ARENA SCHOOLS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities	
Cash received from user charges	$ 10,668
Cash payments for payroll, insurance, and operating costs	(3,677)
Net cash provided by (used for) operating activities	6,991
Cash flows from investing activities	
Interest received	(23,540)
Net cash provided by (used for) investing activities	(23,540)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,549)
CASH AND CASH EQUIVALENTS	
Beginning of year	92,454
End of year	$ 75,905
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	$ 6,991
Net cash provided by (used for) operating activities	$ 6,991

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

POINT ARENA SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Trust Fund	Agency Fund
	Private-Purpose Trust Fund	**Student Body Fund**
ASSETS		
Cash and cash equivalents	$ 52,902	$ 90,073
Total Assets	52,902	$ 90,073
LIABILITIES		
Due to student groups	-	$ 90,073
Total Liabilities	-	$ 90,073
NET POSITION		
Unrestricted	52,902	
Total Net Position	$ 52,902	

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

POINT ARENA SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Trust Fund
	Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	$ 141
Local Revenue	7,500
Total Additions	7,641
DEDUCTIONS	
Other trust activities	500
Total Deductions	500
CHANGE IN NET POSITION	7,141
Net Position - Beginning	45,761
Net Position - Ending	$ 52,902

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

Point Arena Schools (the "District") is one of ten common administration districts in the State of California. It is comprised of the Arena Union Elementary School District (the "Elementary District") and the Point Arena Joint Union High School District (the "High School District"). The Districts are governed by a single board of elected officials.

The Elementary District was established on July 13, 1885, and is comprised of an area of approximately 250 square miles located on the Mendocino Coast and adjoins the Sonoma County line. There were no changes in the boundaries of the Elementary District during the current year. The Elementary District currently operates one elementary school and maintains an independent study program. The Elementary District is also the authorizing agency for an independent charter school.

The High School District was established on May 1904, and is comprised of an area of approximately 400 square miles located on the Mendocino Coast. It includes the southern part of Mendocino and the northern most part of Sonoma County. There were no changes in the boundaries of the High School during the current year. The High School District is currently operating two schools providing instruction in grades 9 through 12.

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. 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. The District has no such component units.

C. Other Related Entities

Joint Powers Authorities (JPA). The District is exposed to various risk of loss related to: torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District participates in JPAs to manage these risks. The relationship between the District and the JPAs in which it is associated with is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs are governed by the boards consisting of representatives from the member agencies. The boards control the operation of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of 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 or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 *et seq*.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Special Revenue Fund shall be 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).

Pupil Transportation Equipment Fund: This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code Section* 41852[b]).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

County School Facilities Fund: This 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), or the 2004 State School Facilities Fund (Proposition 55) 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.).

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section* 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

E. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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 net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the 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 that have not met eligibility requirements 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments
Investments 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.

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $25,000 for equipment and $50,000 for buildings. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	30 – 50 years
Furniture and Equipment	15 – 20 years
Vehicles	10 – 15 years

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts
In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Interfund Activity

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

H. 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.

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

J. Property Taxes

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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New Accounting Pronouncements

GASB Statement No. 68 – In June 2012, 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 interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 68 for the year ended June 30, 2015.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has implemented GASB Statement No. 71 for the year ended June 30, 2015.

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has not yet determined the impact on the financial statements.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	$ 2,765,481	$ 75,905	$ 2,841,386	$ 52,902
Cash on hand and in banks	11,810	-	11,810	90,073
Cash in revolving fund	3,150	-	3,150	-
Total cash and cash equivalents	$ 2,780,441	$ 75,905	$ 2,856,346	$ 142,975

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Mendocino County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

C. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $2,900,861 and an amortized book value of $2,894,288 in governmental funds. The average weighted maturity for this pool is 391 days.

NOTE 2 – CASH AND INVESTMENTS (continued)

D. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
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

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2015, the pooled investments in the County Treasury were rated and average of AA+/Aa1 by Standard & Poor's and Moody.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 24,860	$ -	$ 24,860
State Government			
Apportionment	51,160	-	51,160
Categorical aid	120,984	35,692	156,676
Lottery	33,218	-	33,218
Local Government			
Property Taxes	89,297		89,297
Other local sources	80,180	-	80,180
Total	$ 399,699	$ 35,692	$ 435,391

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	$ 55,000	$ -	$ -	$ 55,000
Construction in progress	506,585	29,063	-	535,648
Total Capital Assets not Being Depreciated	561,585	29,063	-	590,648
Capital assets being depreciated				
Land improvements	813,199	35,391	-	848,590
Buildings & improvements	9,623,154	68,204	-	9,691,358
Furniture & equipment	488,838	-	-	488,838
Total Capital Assets Being Depreciated	10,925,191	103,595	-	11,028,786
Less Accumulated Depreciation				
Land improvements	293,543	42,430	-	335,973
Buildings & improvements	2,176,477	267,032	-	2,443,509
Furniture & equipment	371,650	18,307	-	389,957
Total Accumulated Depreciation	2,841,670	327,769	-	3,169,439
Governmental Activities				
Capital Assets, net	$ 8,645,106	$ (195,111)	$ -	$ 8,449,995

Total depreciation expense of $327,769 is allocated by the functions for instruction ($315,406) and pupil services for home-to-school transportation ($12,363) in the Statement of Activities.

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

	Due From Other Funds		
Due To Other Funds	**General Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 8,000	$ 8,000
Building Fund	11	-	11
Non-Major Governmental Funds	744	-	744
Total Due From Other Funds	$ 755	$ 8,000	$ 8,755

Due from Transportation Equipment Fund to General Fund for temporary cash flow needs	$ 8,000
Due from General Fund to Building Fund for interest contribution	11
Due from General Fund to Child Development Fund for PreKindergarten contribution	731
Due from General Fund to Capital Facilities Fund for interest contribution	13
Total	$ 8,755

B. Operating Transfers

Interfund transfers for the year ended June 30, 2015 consisted of the following:

	Interfund Transfers In		
Interfund Transfers Out	**General Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 154,316	$ 154,316
Self-Insurance Fund	23,966	-	23,966
Total Interfund Transfers	$ 23,966	$ 154,316	$ 178,282

Transfer from General Fund to Child Development Fund to cover program costs.	$ 15,177
Transfer from General Fund to Cafeteria Fund to cover cost.	86,997
Transfer from General Fund to Pupil Transportation Equipment Fund to cover costs.	8,000
Transfer from General Fund to Capital Facilities Fund to cover costs of debt and rental fees.	44,142
Transfer from Self-Insurance Fund to General Fund to cover costs.	23,966
Total	$ 178,282

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Construction	$ -	$ 11,503	$ -	$ -	$ 11,503
Vendors payable	150,261	-	464	-	150,725
Unmatured interest	-	-	-	56,226	56,226
Total	$ 150,261	$ 11,503	$ 464	$ 56,226	$ 218,454

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015 consisted of the following:

	Restated Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 4,459,803	$ -	$ 324,487	$ 4,135,316	$ 324,486
Unamortized premium/discount	364,277	-	37,834	326,443	37,834
Accreted interest	1,352,229	186,448	130,514	1,408,163	-
Total general obligation bonds	6,176,309	186,448	492,835	5,869,922	362,320
Certificates of participation	533,433	-	55,285	478,148	52,508
Capital leases	16,403	-	6,631	9,772	6,078
Compensated absences	30,541	-	3,754	26,787	3,293
Net OPEB obligation	132,433	-	28,496	103,937	-
Net pension liability	5,814,090	-	1,336,815	4,477,275	-
Total	$ 12,703,209	$ 186,448	$ 1,923,816	$ 10,965,841	$ 424,199

A. General Obligation Bonds

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2014	Additions	Deductions	Bonds Outstanding June 30, 2015
2004	7/4/2004	6/1/2029	2.0-5.0%	$ 2,810,000	$ 970,000	$ -	$ 65,000	$ 905,000
2005	6/22/2005	8/1/2043	5.0-5.29%	889,062	889,062	-	-	889,062
2006	6/1/2006	9/1/2016	4.0-6.0%	4,320,741	2,600,741	-	259,487	2,341,254
		General obligation bonds			$ 4,459,803	$ -	$ 324,487	$ 4,135,316
		Unamortized premium			364,277	-	37,834	326,443
		Accreted interest			1,352,229	186,448	130,514	1,408,163
		Total general obligation bonds			$ 6,176,309	$ 186,448	$ 492,835	$ 5,869,922

NOTE 7 – LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2003 Election

The Arena Union Elementary School District received authorization at an election held on November 4, 2003, by more than 55% of the votes cast by eligible voters within the District, to issue bonds of the District in an aggregate principal amount not to exceed $3,700,000 for the purpose of funding the specific construction and modernization projects approved by the voters, including a District-wide elementary school facility in Gualala, and conversion of the existing Arena Elementary School into a middle school. There was a partial in-substance defeasance of the bonds in fiscal year 2011 of $1,615,000, and the amount of bonds outstanding has been reduced accordingly.

2006 Refunding

The Point Arena Joint Union High School District 2006 Obligation Bonds in the aggregate principal amount of $4,320,741, were issued to advance refund certain of the District's outstanding General Obligation bonds, Election of 2000, Series 2000, which were authorized at an election of the registered voters of the District held on May 9, 2000, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of $4,235,000 amount of general obligation bonds of the District, and to pay costs of issuance associated with the Bonds.

The annual requirements to amortize general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 214,515	$ 426,727	$ 641,242
2017	216,740	456,149	672,889
2018	560,000	148,895	708,895
2019	620,000	116,633	736,633
2020	690,000	80,683	770,683
2021 - 2025	945,000	53,790	998,790
2026 - 2030	86,342	233,658	320,000
2031 - 2035	309,299	1,130,701	1,440,000
2036 - 2040	283,923	1,471,077	1,755,000
2041 - 2044	209,497	1,460,502	1,669,999
Total	$ 4,135,316	$ 5,578,815	$ 9,714,131

B. Certificates of Participation

On June 1, 2006 the District issued $850,000 Certificates of Participation pursuant to a lease agreement with the Public Property Financing Corporation of California for the purposes of financing the modernization, repair and construction of its facilities. The term of the lease is 15 years and will end on July 13, 2021.

NOTE 7 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

The annual requirements to amortize certificates of participation, outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 58,210	$ 25,294	$ 83,504
2017	61,289	22,215	83,504
2018	64,531	18,973	83,504
2019	67,945	15,559	83,504
2020	71,539	11,965	83,504
2021 - 2024	154,634	12,375	167,008
Total	$ 478,148	$ 106,381	$ 584,528

C. Capital Leases

The District leases equipment and portable classrooms under agreements that provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's useful life. The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment. Future minimum lease payments are as follows:

Year Ended June 30,	Lease Payment
2016	$ 6,855
2017	4,570
Total minimum lease payments	11,425
Less amount representing interest	(1,653)
Present value of minimum lease payments	$ 9,772

NOTE 7 – LONG-TERM DEBT (continued)

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2015 amounted to $26,787. This amount is included as part of long-term liabilities in the government-wide financial statements.

E. Net OPEB Obligation

The District's annual OPEB cost for the year ended June 30, 2015 was $47,485 and the District made a contribution of $75,981 during the year, which resulted in a net OPEB obligation of $103,937. See Note 9 for additional information regarding the OPEB obligation and the postemployment benefit plan.

F. Net Pension Liability

The District follows GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The District's restated beginning net pension liability was $5,814,090 and decreased by $1,336,815 during the year ended June 30, 2015. The ending net pension liability at June 30, 2015 was $4,477,275. See Note 10 for additional information regarding the net pension liability.

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2015:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 3,150	$ -	$ -	$ 3,150
Stores inventory	-	-	5,437	5,437
Total non-spendable	3,150	-	5,437	8,587
Restricted				
Educational programs	75,997	-	-	75,997
Capital projects	-	-	17,807	17,807
Debt service	-	592,335	-	592,335
Total restricted	75,997	592,335	17,807	686,139
Assigned				
Deferred maintenance	766,666	-	69,175	835,841
Total assigned	766,666	-	69,175	835,841
Unassigned				
Reserve for economic uncertainties	784,003	-	-	784,003
Remaining unassigned	709,964	-	(2)	709,962
Total unassigned	1,493,967	-	(2)	1,493,965
Total	$ 2,339,780	$ 592,335	$ 92,417	$ 3,024,532

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than four percent of General Fund expenditures and other financing uses. During the fiscal year 2014-15, the District's Board designated $784,003 of the General Fund ending fund balance to economic uncertainties.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2009-10.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	5
Active plan members	10
Total	15
Number of participating employers	1

The District provides postemployment health care benefits, in accordance with District employment contracts. A bargaining unit employee who has hired prior to September 2, 2004, and has attained age sixty (60) or greater and who has served not less than twenty (20) calendar years with the District, who takes a service of disability retirement with PERS, shall continue to be enrolled in and receive District contributions for health insurance until age sixty five (65). The District's contribution shall be at the same prorated amount as the employee's last year of service.

B. Funding Policy

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2014-15, the District made contributions of $75,981.

As of June 30, 2015, the District has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$	50,778
Interest on net OPEB obligation		378
Adjustment to annual required contribution		(3,671)
Annual OPEB cost (expense)		47,485
Contributions made		(75,981)
Increase (decrease) in net OPEB obligation		(28,496)
Net OPEB obligation, beginning of the year		132,433
Net OPEB obligation, end of the year	$	103,937

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015 and the preceding three years were as follows:

Year Ended June 30,		Annual OPEB Cost	Percentage Contributed		Net OPEB Obligation
2015	$	47,485	160%	$	103,937
2014	$	42,470	155%	$	132,433
2013	$	52,917	108%	$	156,133

D. Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $656,119 and the unfunded actuarial accrued liability (UAAL) was $656,119.

The projections of future benefit payments for an ongoing plan involves 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, 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.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. 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. The following simplifying assumptions were made:

Retirement age for active members
Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or the first subsequent year in which the member would qualify for benefits.

Marital Status
Marital status of members at the calculations date was assumed to continue throughout retirement.

Turnover
Non-group specific age-based turnover date from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health care cost trend rate
The study assumed no increase future healthcare costs, as the District paid premium is capped.

Health insurance premiums
2010 health insurance premiums for retirees were used as the basis for calculation of the present value total benefits to be paid.

Based on the historical and expected returns of the District's short-term investment portfolio, a discount rate of 0.75 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2015, was twenty-five years.

NOTE 10 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District recognized $368,767 for their proportionate share of pension expense for the year ended June 30, 2015.

California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided
The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60
CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS 2% at 62
CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan members are required to contribute 8.15% of their salary for fiscal year 2015 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015 was 8.88% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $182,845 for the year ended June 30, 2015.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $117,687 to CalSTRS (5.679% of 2012-13 creditable compensation subject to CalSTRS).

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:

District's proportionate share of the net pension liability	$	2,869,328
States's proportionate share of the net pension liability associated with the District		1,732,624
Total	$	4,601,952

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to 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, 2014, the District's proportion was .005 percent, which did not change from its proportion measured as of June 30, 2013.

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2015, the District recognized pension expense of $247,698. In addition, the District recognized pension expense and revenue of $149,572 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 706,567
District contributions subsequent to the measurement date	182,845	-
	$ 182,845	$ 706,567

$182,845 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2016	$ 176,642
2017	176,642
2018	176,642
2019	176,641
	$ 706,567

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	3.75%
Interest on Member Accounts	4.50%

NOTE 10 – PENSION PLANS (continued)

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

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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 (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA 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 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	100%	

* 10-year geometric average

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the Plan'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 the total pension liability.

NOTE 10 – PENSION PLANS (continued)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 4,472,532	$ 2,869,328	$ 1,532,547

Pension plan fiduciary net position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 10 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015 was 11.771% of annual payroll. Contributions to the plan from the District were $195,561 for the year ended June 30, 2015.

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 of $1,607,947 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to 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, 2014, the District's proportion was .014 percent, which was a decrease of .01 percent from its proportion measured as of June 30, 2013.

NOTE 10 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2015, the District recognized pension expense of $121,069. 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
Differences between projected and actual earnings on plan investments	$ -	$ 552,508
Changes in proportion and differences between District contributions and proportionate share of contributions	-	87,384
District contributions subsequent to the measurement date	195,561	-
	$ 195,561	$ 639,892

$195,561 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2016	$ 159,973
2017	159,973
2018	159,973
2019	159,973
	$ 639,892

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield (Net of Expenses)	7.50%
Wage Inflation	Varies by Entry Age and Service

NOTE 10 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)
CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

NOTE 10 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 2,820,705	$ 1,607,947	$ 594,564

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State 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.

B. Construction Commitments

As of June 30, 2015, the District had no commitments with respect to unfinished capital projects.

C. 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.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

During the fiscal year ending June 30, 2015, the District participated in two joint powers agreements (JPAs). There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past four years. The JPAs and the services they provide to the District are as follows:

Schools Insurance Group Northern Alliance (SIGNAL). The purpose of the organization is to jointly provide a system for workers' compensation insurance. Member contributions are based on rates which are based on actual historical loss experience statistics. Experience modification factors are computed for each member based on the Workers' Compensation Insurance Rating Bureau of California guidelines. The financial statements are available directly from the JPA.

Northern California School Insurance Group (NCSIG). NCSIG arranges for and provides property and liability insurance for its member districts. The District pays a premium commensurate with the level of coverage requested. This is a partial self-insurance program. The financial statements are available directly from the JPA.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. The District's deferred outflows and inflows of resources related to pensions were as follows at June 30, 2015:

	Deferred outflows related to pensions	Deferred inflows related to pensions
STRS Pension	$ 182,845	$ 706,567
PERS Pension	195,561	639,892
Total	$ 378,406	$ 1,346,459

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's proportionate share of net pension liability and deferred outflows of resources related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 4,935,291
Restatement	(5,454,967)
Net Position - Beginning, as Restated	$ (519,676)

NOTE 15 – DEFICIT FUND BALANCE

At June 30, 2015, the Non-Major Child Development Fund had a deficit fund balance of $2.

REQUIRED SUPPLEMENTARY INFORMATION

POINT ARENA SCHOOLS
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 5,519,968	$ 5,586,736	$ 5,632,023	$ 45,287
Federal sources	320,708	463,900	468,699	4,799
Other state sources	169,451	225,881	229,742	3,861
Other local sources	566,534	610,908	644,530	33,622
Total Revenues	6,576,661	6,887,425	6,974,994	87,569
EXPENDITURES				
Certificated salaries	2,188,583	2,311,804	2,353,016	(41,212)
Classified salaries	1,405,026	1,460,238	1,485,105	(24,867)
Employee benefits	1,690,530	1,636,705	1,637,415	(710)
Books and supplies	380,879	522,227	533,081	(10,854)
Services and other operating expenditures	796,121	808,464	872,571	(64,107)
Capital outlay	-	14,679	54,850	(40,171)
Other outgo				
Excluding transfers of indirect costs	6,855	6,855	7,426	(571)
Total Expenditures	6,467,994	6,760,972	6,943,464	(182,492)
Excess (Deficiency) of Revenues				
Over Expenditures	108,667	126,453	31,530	(94,923)
Other Financing Sources (Uses)				
Transfers in	69,170	93,129	101,681	8,552
Transfers out	(222,693)	(265,065)	(219,316)	45,749
Net Financing Sources (Uses)	(153,523)	(171,936)	(117,635)	54,301
NET CHANGE IN FUND BALANCE	(44,856)	(45,483)	(86,105)	(40,622)
Fund Balance - Beginning	2,146,837	2,146,837	2,146,837	-
Fund Balance - Ending	$ 2,101,981	$ 2,101,354	$ 2,060,732	$ (40,622)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of $117,687 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2015	$ -	$ 656,119	$ 656,119	0%	$411,588	159%
June 30, 2014	$ -	$ 571,291	$ 571,291	0%	$407,973	140%
June 30, 2010	$ -	$ 668,649	$ 668,649	0%	$533,746	125%

See accompanying note to required supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015

		June 30, 2015
District's proportion of the net pension liability		0.005%
District's proportionate share of the net pension liability	$	2,869,328
States's proportionate share of the net pension liability associated with the District		1,732,624
Total	$	4,601,952
District's covered-employee payroll	$	2,082,733
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		137.8%
Plan fiduciary net position as a percentage of the total pension liability.		76.5%

See accompanying note to required supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2015

		June 30, 2015
District's proportion of the net pension liability		0.014%
District's proportionate share of the net pension liability	$	1,607,947
District's covered-employee payroll	$	1,660,737
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		96.8%
Plan fiduciary net position as a percentage of the total pension liability.		83.4%

See accompanying note to required supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2015

		June 30, 2015
Contractually required contribution	$	195,561
Contributions in relation to the contractually required contribution		(195,561)
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	1,660,737
Contributions as a percentage of covered-employee payroll		11.78%

See accompanying note to required supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2015

		June 30, 2015
Contractually required contribution	$	195,561
Contributions in relation to the contractually required contribution		(195,561)
Contribution deficiency (excess)	$	-
District's covered-employee payroll	$	1,660,737
Contributions as a percentage of covered-employee payroll		11.78%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2015, the District incurred an excess of expenditures over appropriations in the General Fund presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	$ 2,311,804	$ 2,353,016	$ 41,212
Classified salaries	$ 1,460,238	$ 1,485,105	$ 24,867
Employee benefits	$ 1,636,705	$ 1,637,415	$ 710
Books and supplies	$ 522,227	$ 533,081	$ 10,854
Services and other operating expenditures	$ 808,464	$ 872,571	$ 64,107
Capital outlay	$ 14,679	$ 54,850	$ 40,171
Other outgo			
Excluding transfers of indirect costs	$ 6,855	$ 7,426	$ 571

SUPPLEMENTARY INFORMATION

POINT ARENA SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A Cluster			
Title I, Part A, Basic School Support	84.010	14416	$ 103,063
Title II, Part A, Teacher Quality	84.367A	14341	23,981
Title VI, Part B, Rural & Low Income School Program	84.358	14356	29,625
Title VIII, Impact Aid **[1]**	84.041	10015	122,035
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	94,924
Part B, Preschool Grants	84.173	13430	6,435
Subtotal Special Education Cluster			101,359
Title X, McKinney-Vento Homeless Assistance	84.196	14332	910
Total U. S. Department of Education			380,973
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster **[1]**			
School Breakfast Program	10.553	23668	44,131
National School Lunch Program	10.555	13391	105,778
Special Milk Program for Children	10.556	13392	10,589
USDA Commodities **[2]**	10.555	*	12,363
Subtotal Child Nutrition Cluster			172,861
Total U. S. Department of Agriculture			172,861
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medi-Cal Cluster			
Medi-Cal Billing Option	93.778	10013	15,930
Medi-Cal Administrative Activities (MAA)	93.778	10060	71,796
Subtotal Medi-Cal Cluster			87,726
Total U. S. Department of Health & Human Services			87,726
Total Federal Expenditures			$ 641,560

[1] - Major Program
[2] - In-Kind Contribution
***** - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third	110.78	109.91
Fourth through Sixth	74.90	74.61
Seventh through Eighth		
Regular ADA	54.39	54.26
Extended Year Special Education	0.09	0.09
Total Seventh through Eighth	54.48	54.35
Ninth through Twelfth	130.78	129.09
TOTAL SCHOOL DISTRICT	370.94	367.96

See accompanying note to supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2014-15 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	38,475	180	Complied
Grade 1	50,400	49,000	52,365	180	Complied
Grade 2	50,400	49,000	52,365	180	Complied
Grade 3	50,400	49,000	52,365	180	Complied
Grade 4	54,000	52,500	59,145	180	Complied
Grade 5	54,000	52,500	59,145	180	Complied
Grade 6	54,000	52,500	59,145	180	Complied
Grade 7	54,000	52,500	59,145	180	Complied
Grade 8	54,000	52,500	59,145	180	Complied
Grade 9	64,800	63,000	66,314	180	Complied
Grade 10	64,800	63,000	66,314	180	Complied
Grade 11	64,800	63,000	66,314	180	Complied
Grade 12	64,800	63,000	66,314	180	Complied

See accompanying note to supplementary information.

POINT ARENA SCHOOLS
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	2016 (Budget)	2015	2014	2013
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 6,943,994	$ 7,076,675	$ 7,052,239	$ 6,611,846
Expenditures And Other Financing Uses	7,469,779	7,162,780	6,969,856	6,648,727
Net change in Fund Balance	$ (525,785)	$ (86,105)	$ 82,383	$ (36,881)
Ending Fund Balance	$ 1,534,947	$ 2,060,732	$ 2,146,837	$ 2,064,454
Available Reserves*	$ 1,263,199	$ 1,493,967	$ 1,771,997	$ 1,153,237
Available Reserves As A Percentage Of Outgo	16.91%	20.86%	25.42%	17.35%
Long-term Debt	$ 10,541,642	$ 10,965,841	$ 6,889,119	$ 2,248,857
Average Daily Attendance At P-2	371	371	386	395

The General Fund balance has decreased by $3,722 over the past two years. The fiscal year 2015-16 budget projects a decrease of $525,785. For a District this size, the State recommends available reserves of no less than the greater of $65,000 or 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2015-16 fiscal year. Total long term obligations have increased by $8,716,984 over the past two years.

Average daily attendance has decreased by 24 ADA over the past two years. No change in ADA is anticipated during the 2015-16 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54, and on-behalf payments of $117,687.

See accompanying note to supplementary information.

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

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2015, annual financial and budget report fund balance	$ 2,060,732	$ 100,012	$ 179,036
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	279,048	(100,012)	(179,036)
Net adjustments and reclassifications	279,048	(100,012)	(179,036)
June 30, 2015, audited financial statement fund balance	$ 2,339,780	$ -	$ -

See accompanying note to supplementary information.

Charter School	Status	Included in Audit Report
Pacific Community Charter School	Active	No

See accompanying note to supplementary information.

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.

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

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 46208. During the year ended June 30, 2015, the District participated in the Longer Day incentive funding program. As of June 30, 2015, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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. (Located in the front of the audit report)

OTHER INDEPENDENT AUDITORS' REPORTS

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

Licensed by the California State Board of Accountancy

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*

Independent Auditors' Report

Governing Board
Point Arena Schools
Point Arena, 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 Point Arena Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Point Arena Schools' basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Point Arena Schools' 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 Point Arena Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Point Arena Schools' 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 entity'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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2015-1)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Point Arena Schools' financial statements are free of 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*.

Point Arena Schools' Response to Findings

Point Arena Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Point Arena Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 10, 2015

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

Governing Board
Point Arena Schools
Point Arena, California

Report on Compliance for Each Major Federal Program

We have audited Point Arena Schools' 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 Point Arena Schools' major federal programs for the year ended June 30, 2015. Point Arena Schools' 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 Point Arena Schools' 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 Point Arena Schools' 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 Point Arena Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Point Arena Schools 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 Point Arena Schools 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 Point Arena Schools' 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 Point Arena Schools' 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.

Christy White Associates

San Diego, California
December 10, 2015

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Point Arena Schools
Point Arena, California

Report on State Compliance

We have audited Point Arena Schools' compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Point Arena Schools' state programs for the fiscal year ended June 30, 2015, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Point Arena Schools' state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Point Arena Schools' 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 with the requirements referred to above. However, our audit does not provide a legal determination of Point Arena Schools' compliance with those requirements.

Opinion on State Compliance

In our opinion, Point Arena Schools complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as findings #2015-2 and #2015-3. Our opinion on state compliance is not modified with respect to these matters.

Point Arena Schools' response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Point Arena Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Point Arena Schools' compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time for school districts	Yes
Instructional Materials, general requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes

(Continued on the next page)

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for Independent Study because it was below the threshold required for testing.

Christy White Associates

San Diego, California
December 10, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

POINT ARENA SCHOOLS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
10.553, 10.555, 10.556	Child Nutrition Cluster
84.041	Title VIII, Impact Aid

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

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2015-1: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: There should be proper oversight by the District to ensure adequate internal controls over cash receipts of student body funds are in implemented at the school sites. Sound internal controls for handling cash and segregation of duties discourage theft of student body funds and protect those who handle the cash.

Condition: Segregation of duties and internal controls over cash receipts for student body funds at the school sites were not adequate to sufficiently support the amount of cash collected from fundraising events.

Context: During our testing of cash receipts at the school sites, we noted the following:

Arena Elementary School

- The ASB bookkeeper handled all functions of cash receipting, including receiving cash, booking receipts, preparing deposits, depositing the funds at the bank, and performing bank reconciliations.

Point Arena High School

- Two out of ten cash receipts did not have documentation to reconcile the collected amount to the amount deposited

Effect: Inadequate internal controls over cash receipts can potentially lead to accusations of fraud or errors in reporting.

Cause: School site staffs were not trained to follow proper cash control procedures for receipts from fundraising events, and duties were not properly segregated.

Recommendation: We recommend the student body clerks obtain all necessary documentation to support the collection of student body funds to ensure receipts are properly accounted for. We also recommend that student body clerks refer to the Associated Student Body Accounting Manual & Desk Reference published by the Fiscal Crisis & Management Assistance Team (FCMAT), which outlines proper internal control procedures for associated student body accounts to follow. Additionally, we recommend that the clerks appropriately segregate duties related to receipting.

District Response: Site Administrators and ASB Bookkeepers are provided with the most recent version (2012) of the FCMAT ASB Accounting Manual. Further, the District will make plans for current year ASB representatives to attend an ASB in-service training workshop to go over ASB best practices. There was an ASB employee change at the high school between the 2014-15 year and the 2015-16 year, and so the District will make every effort to ensure the new ASB employee has the proper tools to carry out ASB responsibilities appropriately.

FINDING #2015-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

At the high school, all expenditures are presented to the Student Council for approval prior to payment by the ASB bookkeeper. Formal pre-approval of expenditures is not always practical. However, student leaders participate in the planning of student events, including the decision to expend funds for the event. Fundraising events are often supported by volunteer help, and as a small district in a small rural community, we often have few people doing the many necessary tasks to have a successful fundraiser for the school. Both sites currently use the appropriate FCMAT forms for cash receipts and disbursements, and to the extent possible, ASB bookkeepers try to obtain all the necessary documentation to support the cash transactions.

Last year's ASB bookkeeper, stated that for the 2014-15 year, she created tally sheets at games to track attendance to use and then pass on to her successor; and for larger attended games, her successor plans to use a clicker to help track attendance; there are also new cash count sheets for the Nutrition coffee cart; and all Nutrition coffee cart workers have their workability food handling certifications (which is an important ASB criteria); and, further the ASB bookkeeper is attempting to make an inventory list of fundraising items being sold at events (when possible).

At the Elementary School, per the auditors' recommendation, the Arena Elementary site will segregate ASB cash handling duties, where possible, going forward. Prior to the ASB bookkeeper collecting and counting any ASB-related the cash, the site staff in charge of that activity also collects and counts the cash. The solution to further segregate ASB cash duties is for the ASB bookkeeper to continue to record any ASB cash receipts, and for another individual to collect the cash. The other individuals who work at the Arena Elementary site office who may collect the cash include the Administrative I Secretary, the NPA Counselor, and the School Principal. In particular, the School Principal and the ASB bookkeeper are working to create a written plan for ASB segregation of duties moving forward.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2015.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2015-2: AFTER SCHOOL EDUCATION & SAFETY PROGRAM (ASES) (40000)

Criteria: As a recipient of State funding to administer the After School Education and Safety (ASES) program, the District provides semiannual attendance reports to the California Department of Education (CDE) required under California *Education Code Section* 8482.3. To ensure accurate reporting was adhered to by the District, the reported number of students served on the ASES attendance reports must be supported by written data origination documentation noting pupil participation.

Condition: In testing the monthly attendance report for November 2014, it was noted that two (2) of ten (10) students selected from Arena Elementary did not have adequate documentation to support ASES attendance records. Records indicated the student was not present or did not participate in the full day of the program as specified by the District's established early release policy and in some instances should have been recorded present when it was not claimed.

Effect: Based on the net effect, attendance records appear to be overstated by 2 days of student participation for Arena Elementary. For the attendance report submitted to the CDE for the 1st Half: After School Base (Cohort 14) through the Mendocino County Office of Education, covering the reporting time period of July 1, 2014 through December 31, 2014, Arena Elementary reported a total of 5,557 students served. As a result of our audit procedures, the adjusted amount for this reporting period should be reduced to a total of 5,555 served.

Cause: Inadequate supervision of students/parents signing in and out, as well as not maintaining accurate attendance records, which may be due to staffing limitations and/or poor record retention. Additionally, improper oversight from MCOE did not ensure proper attendance reporting.

Questioned Cost: None. The total amount of the grant allocated to Arena Elementary in 2014-15 was $108,000; however, program funding is not affected unless the pupil participation level is not maintained at least 85% of the projected attendance. Because the noted overstatement of students served was only 2 days total, program attendance did not fall below 85% of the projected attendance and therefore, there is no questioned cost.

Recommendation: We recommend that documentation of student participation for the entire semiannual period be provided to MCOE for accurate ASES attendance reporting.

FINDING #2015-2: AFTER SCHOOL EDUCATION & SAFETY PROGRAM (ASES) (40000) (continued)

District Response: In response to the auditors' ASES finding in the 2012-13 year, at the beginning of the 2013-14 school year, the district began working with Arena Elementary's former ASES Director and former Manager of Child Development at Youth Integrated Services at the Mendocino County Office of Education (MCOE), to implement a proper sign in and sign out process (including a new sign in and sign out sheet template) that would work for our community.

By the Summer of 2014, the new sign in/out sheet was in place and being used by the ASES Director for the 2014-15 year (August 2014). The two students who did not have adequate documentation to support ASES attendance records in the sample November 2014 month were, as the district understands it, a result of not having the proper signed early release form on file (not a result of the sign in/out sheets differing from the recorded excel attendance spreadsheets). Between the 2014-15 year and the current 2015-16 year, there was a district ASES Director change. The new ASES Director who began employment in August 2015 is aware of the proper ASES Attendance procedures (including obtaining signed early release policies from parents), and so is working to ensure proper practices moving forward.

For the current year months of August 2015 and September 2015, the Point Arena Schools Business Manager reviewed all daily sign in/out sheets against the recorded attendance excel spreadsheets to check that the two documents agreed for each grade within each month. The Business Manager then provided her reviewed work to the ASES Director of which no corrections were identified. Therefore, beginning October 2015, the ASES Director tracks attendance against the sign in/out sheets and provides the recorded attendance excel spreadsheets directly to MCOE (as the district's oversight agency for state reporting) for their review. The district plans to continue the MCOE review process to help mitigate any potential errors.

FINDING #2015-3: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners and who are not directly certified on the CalPADS 1.18 FRPM English Learner/Foster Youth-Student List Report must have supporting documentation that indicates the student was eligible for the designation. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section 19849 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies.*

Condition: The auditor determined that 3 out of 4 total students from the CalPADS 1.18 FRPM English Learner/Foster Youth Student List Report who were classified as English Learners and had a "No" under the "Direct Certification" column did not have proper supporting documentation to support their designation.

Cause: Oversight by the District.

Effect: The District is not in compliance with state requirements.

Context: A total of 3 students from the CalPADS 1.18 FRPM English Learner/Foster Youth-Student List Report that were classified as English Learners and indicated as "No" under the "Direct Certification" column.

Questioned Costs: $2,087, the unduplicated pupil count adjustment calculated below:

LCFF Target Base Grant Amount and Pupil Counts		
1) Total Base Grant Amount		**1,786,531**
	Section 1: UPP	**Section 2: UPP**
2) Total Enrollment Count from Unduplicated Pupil Percentage Exhibit	**522**	**523**
3) Unduplicated Pupil Count from Unduplicated Pupil Percentage Exhibit	**384**	**391**

Unduplicated Pupil Percentage Adjustment		
4) Unduplicated Pupil Count	384	391
5) Number of Unduplicated Pupil Count Adjustment (plus or minus)	(3)	(3)
6) Adjusted Unduplicated Pupil Count	381	388
7) Unduplicated Pupil Percentage calculated at P-2	0.7356	0.7476
8) Adjusted Unduplicated Pupil Percentage	0.7299	0.7419
9) Funded UPP (Greater of Section 1 or 2)		**0.7419**

Target Supplemental Audit Adjustment		
10) Target supplemental grant funding calculated at P-2	-	267,122
11) Adjusted target supplemental grant funding	-	265,085
12) Target supplemental audit adjustment	-	(2,037)

Target Concentration Audit Adjustment	
13) Target Concentration grant funding calculated at P-2	176,509
14) Adjusted target concentration grant funding	171,418
15) Target concentration audit adjustment	(5,092)

Value of Adjustment in Current Year	
16) Total target supplemental and concentration audit adjustment	(7,128)
17) Statewide gap funding rate	0.2927267659
18) Estimated value of unduplicated pupil count audit adjustment for 2014-15	**(2,087)**

FINDING #2015-3: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Recommendation: We recommend that the District ensure that the students designated as English Learners in the CalPADS 1.18 Report be closely monitored and that proper documentation is obtained to support this designation.

District Response: As a result of the state implementation of the Local Control Funding Formula (LCFF), the 2014-15 year was the first year of CalPADS 1.18 FRPM English Learner/Foster Youth testing. At the end of the 2013-14 year, the three students that the auditors identified as exceptions, underwent a change in designation from 'EL' English Learners to 'RFEP' Reclassified Fluent English Proficient. The students were appropriately discussed and included on Arena Elementary's RFEP Meeting Agenda, which occurred March 2014. At this point, the designation of these students should have been changed from 'EL' to 'RFEP' in the CalPADS system. So, for these students, there were records to support the change from 'EL' to 'RFEP', but Arena Elementary's 2014-15 CalPADS was not updated to reflect the modification.

Between the 2013-14 and 2014-15 years, there was a transition in Arena Elementary's CELDT (California English Language Development Test) Coordinator. The new CELDT Coordinator, in addition to the Site Principal and School Site Secretary are all aware of the 2014-15 oversight in order to streamline processes into the 2015-16 year. Part of this streamlining process includes monitoring any 'EL' students that are 'RFEP'd' at the end of a school year, and then in a current school year, reviewing all students designated as 'EL' in the CalPADS system to ensure all actual 'EL' students are the only pupils classified as such in CalPADS. Arena Elementary's CELDT Coordinator, Site Principal and Site Secretary also understand that students designated as 'EL' in CalPADS should have: a) A copy of the parent/guardian notification letter that states the student is initially designated as an English Learner (EL) or is a continuing EL, and b) A copy of the California English Language Development Test (CELDT) individual Student Performance Level Report. As such, the district is working to consistently properly classify students as 'EL' within CalPADS as well as secure the appropriate documentation for student record keeping. Note: Point Arena Schools is a basic aid district therefore does not anticipate a related questioned cost.

FINDING #2014-1: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: There should be proper oversight by the District to ensure adequate internal controls over cash receipts of student body funds are in implemented at the school sites. Sound internal controls for handling cash and segregation of duties discourage theft of student body funds and protect those who handle the cash.

Condition: Segregation of duties and internal controls over cash receipts for student body funds at the school sites were not adequate to sufficiently support the amount of cash collected from fundraising events.

Context: During our testing of cash receipts at the school sites, we noted the following:

Arena Elementary School

- The ASB bookkeeper handled all functions of cash receipting, including receiving cash, booking receipts, preparing deposits, depositing the funds at the bank, and performing bank reconciliations.

Point Arena High School

- Nine out of ten cash receipts did not have documentation to reconcile the collected amount to the amount deposited

Effect: Inadequate internal controls over cash receipts can potentially lead to accusations of fraud or errors in reporting.

Cause: School site staff were not trained to follow proper cash control procedures for receipts from fundraising events, and duties were not properly segregated.

Recommendation: We recommend the student body clerks obtain all necessary documentation to support the collection of student body funds to ensure receipts are properly accounted for. We also recommend that student body clerks refer to the Associated Student Body Accounting Manual & Desk Reference published by the Fiscal Crisis & Management Assistance Team (FCMAT), which outlines proper internal control procedures for associated student body accounts to follow. Additionally, we recommend that the clerks appropriately segregate duties related to receipting.

FINDING #2014-1: ASSOCIATED STUDENT BODY (ASB) (30000) (continued)

District Response: Site Administrators and ASB Bookkeepers have been provided with the most recent version (2012) of the FCMAT ASB Accounting Manual. Further both Elementary School and High School ASB Bookkeepers attended an ASB in-service training workshop in August 2014 to go over ASB best practices. At the high school, all expenditures are presented to the Student Council for approval prior to payment by the ASB bookkeeper. Formal pre-approval of expenditures is not always practical. However, student leaders participate in the planning of student events, including the decision to expend funds for the event. Fundraising events are often supported by volunteer help, and as a small district in a small rural community, we often have few people doing the many necessary tasks to have a successful fundraiser for the school. Both sites currently use the appropriate FCMAT forms for cash receipts and disbursements, and to the extent possible, ASB bookkeepers try to obtain all the necessary documentation to support the cash transactions. At the Elementary School, per the auditors' recommendation, we will discuss with the ASB Bookkeeper, the Principal, and other site staff a realistic way to appropriately segregate duties.

Current Status: Not implemented. See Finding #2015-1.

FINDING #2014-2: AFTER SCHOOL EDUCATION & SAFETY PROGRAM (ASES) (40000)

Criteria: As a recipient of State funding to administer the After School Education and Safety (ASES) program, the District provides semiannual attendance reports to the California Department of Education (CDE) required under California *Education Code Section* 8482.3. To ensure accurate reporting was adhered to by the District, the reported number of students served on the ASES attendance reports must be supported by written data origination documentation noting pupil participation.

Condition: In testing the monthly attendance report for November 2013, it was noted that six (6) of ten (10) students selected from Arena Elementary did not have adequate documentation to support ASES attendance records. Records indicated the student was not present or did not participate in the full day of the program as specified by the District's established early release policy and in some instances should have been recorded present when it was not claimed.

Effect: Based on the net effect, attendance records appear to be overstated by 18 days of student participation for Arena Elementary. For the attendance report submitted to the CDE for the 1st Half: After School Base (Cohort 12) through the Mendocino County Office of Education, covering the reporting time period of July 1, 2013 through December 31, 2013, Arena Elementary reported a total of 6,868 students served. As a result of our audit procedures, the adjusted amount for this reporting period should be reduced to a total of 6,850 served.

Cause: Inadequate supervision of students/parents signing in and out, as well as not maintaining accurate attendance records, which may be due to staffing limitations and/or poor record retention. Additionally, improper oversight from MCOE did not ensure proper attendance reporting.

Questioned Cost: None. The total amount of the grant allocated to Arena Elementary in 2013-14 was $108,000; however, program funding is not affected unless the pupil participation level is not maintained at least 85% of the projected attendance. Because the noted overstatement of students served was only 18 days total, program attendance did not fall below 85% of the projected attendance and therefore, there is no questioned cost.

Recommendation: We recommend that documentation of student participation for the entire semiannual period be provided to MCOE for accurate ASES attendance reporting.

District Response: In response to the auditors' ASES finding in the 2012-13 year, at the beginning of the 2013-14 school year, we began working with Arena Elementary's ASES Director and Bessie Glossenger, Manager of Child Development at Youth Integrated Services at the Mendocino County Office of Education, to implement a proper sign in and sign out process (including a new sign in and sign out sheet template) that would work for our community. The auditors' ASES test work for the 2013-14 year occurred in the Spring of 2014, and the month selected for test work was November 2013, which was before the new sign in and sign out sheet process was fully implemented. We will work to continue monitoring the new sign in and sign out process, with oversight from the Mendocino County Office of Education, to comply with proper CDE and audit ASES attendance requirements.

Current Status: Not implemented. See Finding #2015-2.