DRAFT 12/07/2017

BEAR VALLEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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Governing Board
Bear Valley Unified School District
Big Bear Lake, 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 Bear Valley Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 60, schedule of other postemployment benefits funding progress on page 61, schedule of the District's proportionate share of net pension liability on page 62, and the schedule of District contributions on page 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bear Valley Unified School District's internal control over financial reporting and compliance.

Rancho Cucamonga, California
December 7, 2017

BEAR VALLEY
UNIFIED SCHOOL DISTRICT
"Educate-Inspire-Prepare!"

DRAFT 12/07/2017

P.O. Box 1529 * 42271 Moonridge Road * Big Bear Lake, CA 92315 * (909) 866-4631 * Fax (909) 866-2040 * www.bearvalleyusd.org

This section of Bear Valley Unified School District's (the District) 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information from June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Bear Valley Unified School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets (including Capital Assets) of the District as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Bear Valley Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

***Governmental funds* -** Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $9.7 million for the fiscal year ended June 30, 2017. Of this amount, ($19.2) million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 13,072,234	$ 13,311,072
Capital assets	43,928,849	44,122,507
Total Assets	**57,001,083**	**57,433,579**
Deferred Outflows of Resources	**6,335,477**	**5,634,724**
Liabilities		
Current liabilities	3,338,963	3,366,089
Long-term obligations	25,955,727	26,894,312
Aggregate net pension liability	22,817,578	19,457,498
Total Liabilities	**52,112,268**	**49,717,899**
Deferred Inflows of Resources	**1,552,955**	**3,896,878**
Net Position		
Net investment in capital assets	22,054,039	21,091,862
Restricted	6,844,327	6,208,152
Unrestricted	(19,227,029)	(17,846,488)
Total Net Position	**$ 9,671,337**	**$ 9,453,526**

The ($19.2) million in unrestricted net position represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 229,259	$ 249,555
Operating and capital grants and contributions	3,727,534	3,358,389
General revenues:		
Federal and State aid not restricted	13,276,664	13,476,724
Property taxes	13,489,118	12,402,797
Other general revenues	858,280	696,477
Total Revenues	**31,580,855**	**30,183,942**
Expenses		
Instruction-related	21,156,435	18,988,903
Pupil services	3,724,503	3,298,012
Administration	2,456,510	2,137,228
Plant services	2,748,756	2,269,629
Other general expenses	1,276,840	1,453,144
Total Expenses	**31,363,044**	**28,146,916**
Changes in Net Position	**$ 217,811**	**$ 2,037,026**

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $31.4 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $13.5 million because the cost was paid by those who benefited from the programs ($0.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($3.7 million). We paid for the remaining "public benefit" portion of our governmental activities with $14.1 million in Federal and State unrestricted funds and with other revenues like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions - instruction, instruction-related activities, pupil services, administration, plant services, and other, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, 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.

Table 3

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$ 18,513,798	$ (16,291,202)	$ 16,448,761	$ (14,474,406)
Instruction-related activities	2,642,637	(2,454,912)	2,540,142	(2,324,994)
Pupil services	3,724,503	(2,542,109)	3,298,012	(2,249,407)
Administration	2,456,510	(2,337,742)	2,137,228	(2,046,293)
Plant services	2,748,756	(2,734,167)	2,269,629	(2,233,575)
Other	1,276,840	(1,046,119)	1,453,144	(1,210,297)
Total	**$ 31,363,044**	**$ (27,406,251)**	**$ 28,146,916**	**$ (24,538,972)**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $10,009,883, which is a decrease of $232,093 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2016	Revenues	Expenses	June 30, 2017
General Fund	$ 2,254,997	$ 28,105,525	$ 28,625,499	$ 1,735,023
Capital Facilities Fund	3,570,218	1,569,568	1,331,051	3,808,735
Bond Interest and Redemption Fund	2,315,135	11,156,040	11,153,671	2,317,504
Cafeteria Fund	373,332	1,154,694	1,169,447	358,579
Deferred Maintenance Fund	312,267	103,073	(2,798)	418,138
Special Reserve Fund for Capital Outlay Projects	1,135,845	84,673	128,796	1,091,722
COP Capital Project Fund	280,182	-	-	280,182
COP Debt Service Fund	-	302,488	302,488	-
Total	**$ 10,241,976**	**$ 42,476,061**	**$ 42,708,154**	**$ 10,009,883**

The two primary funds' decreases are:

Our General Fund is our principal operating fund. The balance in the General Fund decreased $519,974. This decrease is due to:

1. English Language Art Textbook Adoption in the amount of $512 thousand.
2. One to One Technology Sustainability Program in the amount of $100 thousand.

General Fund Budgetary Highlights

This year, the District's General Fund decreased approximately $520 thousand. This decrease includes the ELA textbook adoption and one to one technology purchases from one-time monies received in FY 2015-2016.

Although the cash deferrals of prior years have been eliminated, cash flow remains a challenge for our District in the months July through October.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $43,928,849 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease of $193,658 from last year.

Table 5

	Governmental Activities	
	2017	2016
Land and construction in process	$ 6,022,389	$ 5,825,559
Buildings and improvements	37,098,838	37,375,973
Equipment	807,622	920,975
Total	**$ 43,928,849**	**$ 44,122,507**

We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $15,041,037 in bonds outstanding versus $16,313,377 last year. At the end of the year, the District had $25,955,727 in long-term obligations. This consisted of general obligation (G.O.) bonds, certificates of participation, lease/purchase financing, other postemployment benefits, and compensated absences.

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds		
(Financed with property taxes)	$ 15,041,037	$ 16,313,377
Premium on bonds	1,057,964	920,827
Certificate of participation	5,720,000	5,775,000
Lease/purchase financing	2,115,000	2,210,000
Other postemployment benefits	1,914,341	1,602,748
Compensated absences and other	107,385	72,360
Total	**$ 25,955,727**	**$ 26,894,312**

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

Net Pension Liability (NPL)

At year-end the District had a net pension liability of $22,817,578.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District experienced a decline of enrollment of approximately 138 students from 2014-2015 to 2015-2016. Our Budget Development plan included continuous declining enrollment for the 2017-2018 school year and our subsequent future years. However, at the time of CBEDS reporting for the 2016-2017 school year, our enrollment pupil count is up approximately 200 students over our projections due to the closure of the Hope Charter School.

The Gap funding in fiscal year 2017-2018 is estimated at 43.97 percent along with decreased enrollment of 40 students is contributing to an estimated decrease in revenue of $269 thousand over the prior fiscal year. This is based on decreased revenues associated with the Local Control Funding Formula for the current year. Staff reductions are planned in the two subsequent years to align with decreased enrollment.

The revenue projections for 2017-2018 and 2018-2019 are very conservative as we continue to project declining enrollment.

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 Executive Director of Business Services, at Bear Valley Unified School District, P.O. Box 1529, Big Bear Lake, California 92315, or email at linda_rosado@bearvalleyusd.org.

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 11,630,646
Receivables	1,415,509
Stores inventories	24,329
Prepaid expenses	1,750
Total Current Assets	13,072,234
Capital assets	
Land and construction in process	6,022,389
Other capital assets	68,511,738
Less: Accumulated depreciation	(30,605,278)
Total Capital Assets	43,928,849
Total Assets	57,001,083
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	347,874
Deferred outflows of resources related to pensions	5,987,603
Total Deferred Outflows of Resources	6,335,477
LIABILITIES	
Accounts payable	3,062,351
Accrued interest payable	276,612
Long-term obligations	
Current portion of long-term obligations other than pensions	1,810,000
Noncurrent portion of long-term obligations other than pensions	24,145,727
Total Long-Term Obligations	25,955,727
Aggregate net pension liability	22,817,578
Total Liabilities	52,112,268
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,552,955
NET POSITION	
Net investment in capital assets	22,054,039
Restricted for:	
Debt service	2,040,892
Capital projects	3,808,735
Educational programs	646,583
Other activities	348,117
Unrestricted	(19,227,029)
Total Net Position	$ 9,671,337

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	$ 18,513,798	$ -	$ 2,222,596	$ (16,291,202)
Instruction-related activities:				
Supervision of instruction	342,117	-	73,494	(268,623)
Instructional library, media, and technology	127,079	-	20,242	(106,837)
School site administration	2,173,441	-	93,989	(2,079,452)
Pupil services:				
Home-to-school transportation	916,688	-	-	(916,688)
Food services	1,301,061	119,634	965,768	(215,659)
All other pupil services	1,506,754	3,402	93,590	(1,409,762)
General administration:				
Data processing	493,093	-	-	(493,093)
All other general administration	1,963,417	6,158	112,610	(1,844,649)
Plant services	2,748,756	6,267	8,322	(2,734,167)
Ancillary services	328,120	-	7,837	(320,283)
Interest on long-term obligations	841,509	-	-	(841,509)
Other outgo	107,211	93,798	129,086	115,673
Total Governmental Activities	$ 31,363,044	$ 229,259	$ 3,727,534	(27,406,251)
Total School District				

General revenues and subventions:	
Property taxes, levied for general purposes	10,059,441
Property taxes, levied for debt service	1,984,511
Taxes levied for other specific purposes	1,445,166
Federal and State aid not restricted to specific purposes	13,276,664
Interest and investment earnings	38,745
Miscellaneous	819,535
Subtotal, General Revenues and Subventions	27,624,062
Change in Net Position	217,811
Net Position - Beginning	9,453,526
Net Position - Ending	$ 9,671,337

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

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GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 3,874,073	$3,343,477	$ 2,317,504
Receivables	1,206,722	19,499	-
Due from other funds	128,267	608,433	-
Prepaid expenditures	1,750	-	-
Stores inventories	13,867	-	-
Total Assets	$ 5,224,679	$3,971,409	$ 2,317,504
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,875,900	$ 157,661	$ -
Due to other funds	613,756	5,013	-
Total Liabilities	3,489,656	162,674	-
Fund Balances:			
Nonspendable	25,617	-	-
Restricted	646,583	3,808,735	2,317,504
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,062,823	-	-
Total Fund Balances	1,735,023	3,808,735	2,317,504
Total Liabilities and Fund Balances	$ 5,224,679	$3,971,409	$ 2,317,504

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

Non-Major Governmental Funds	Total Governmental Funds
$ 2,095,592	$ 11,630,646
189,288	1,415,509
5,323	742,023
-	1,750
10,462	24,329
$ 2,300,665	$ 13,814,257
$ 28,790	$ 3,062,351
123,254	742,023
152,044	3,804,374
10,462	36,079
628,299	7,401,121
418,138	418,138
1,091,722	1,091,722
-	1,062,823
2,148,621	10,009,883
$ 2,300,665	$ 13,814,257

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

Total Fund Balance - Governmental Funds		**$ 10,009,883**
Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 74,534,127	
Accumulated depreciation is	(30,605,278)	
Total Capital Assets		43,928,849
Deferred charges on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities.		347,874
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(276,612)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	1,908,968	
Net change in proportionate share of net pension liability	1,471,316	
Differences between projected and actual earnings on pension plan investments	2,319,811	
Differences between expected and actual experience in the measurement of the total pension liability	287,508	
Total Deferred Outflows of Resources Related to Pensions		5,987,603
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(958,576)	
Differences between expected and actual experience in the measurement of the total pension liability	(393,542)	
Changes in assumptions	(200,837)	
Total Deferred Inflows of Resources Related to Pensions		(1,552,955)

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

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

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (22,817,578)
Long-term obligations at year-end consist of:		
General obligation bonds	$ 13,609,902	
Premium on bonds	1,057,964	
Certificates of participation	5,720,000	
Lease/purchase financing	2,115,000	
Other postemployment benefits (OPEB)	1,914,341	
Compensated absences	107,385	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:	1,431,135	
Total Long-Term Obligations		$ (25,955,727)
Total Net Position - Governmental Activities		**$ 9,671,337**

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

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GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 22,312,704	$ -	$ -
Federal sources	1,118,398	-	-
Other State sources	2,363,056	-	8,503
Other local sources	2,309,917	156,763	2,019,873
Total Revenues	28,104,075	156,763	2,028,376
EXPENDITURES			
Current			
Instruction	16,636,958	-	-
Instruction-related activities:			
Supervision of instruction	338,603	-	-
Instructional library, media, and technology	121,560	-	-
School site administration	2,085,381	-	-
Pupil services:			
Home-to-school transportation	816,473	-	-
Food services	891	-	-
All other pupil services	1,409,986	-	-
General administration:			
Data processing	438,648	-	-
All other general administration	1,705,547	4,649	-
Plant services	2,677,400	219,275	-
Facility acquisition and construction	-	1,107,127	-
Ancillary services	322,245	-	-
Other outgo	107,211	-	-
Debt service			
Principal	95,000	-	1,440,000
Interest and other	71,472	-	843,154
Total Expenditures	26,827,375	1,331,051	2,283,154
Excess (Deficiency) of Revenues Over Expenditures	1,276,700	(1,174,288)	(254,778)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,450	1,412,805	-
Proceeds from refunding bonds	-	-	9,127,664
Transfers out	(1,798,124)	-	-
Escrow payment for refunding of debt	-	-	(8,870,517)
Net Financing Sources (Uses)	(1,796,674)	1,412,805	257,147
NET CHANGE IN FUND BALANCES	(519,974)	238,517	2,369
Fund Balances - Beginning	2,254,997	3,570,218	2,315,135
Fund Balances - Ending	$ 1,735,023	$ 3,808,735	$ 2,317,504

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

Non-Major Governmental Funds	Total Governmental Funds
$ 100,000	$ 22,412,704
943,485	2,061,883
76,764	2,448,323
139,360	4,625,913
1,259,609	31,548,823
-	16,636,958
-	338,603
-	121,560
-	2,085,381
-	816,473
1,115,373	1,116,264
-	1,409,986
-	438,648
54,074	1,764,270
10,868	2,907,543
113,680	1,220,807
-	322,245
-	107,211
55,000	1,590,000
247,488	1,162,114
1,596,483	32,038,063
(336,874)	(489,240)
385,319	1,799,574
-	9,127,664
(1,450)	(1,799,574)
-	(8,870,517)
383,869	257,147
46,995	(232,093)
2,101,626	10,241,976
$ 2,148,621	$ 10,009,883

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ (232,093)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (1,879,979)	
Capital outlays	1,686,321	(193,658)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $35,025.		(35,025)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(663,278)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
Refunding general obligation bonds		(8,445,000)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Premium on issuance	(682,664)	
Deferred amount on refunding	370,517	
Combined adjustment		(312,147)

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, CONTINUED
JUNE 30, 2017

Repayment of long-term obligations principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	$ 9,940,000	
Certificate of Participation	55,000	
Lease purchase agreement	95,000	$ 10,090,000
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	545,527	
Amortization of deferred charge on refunding	(22,643)	
Combined adjustment		522,884
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. For this fiscal year, the actual amount of the contribution was less that the annual required contribution.		(311,593)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation and certificate of participation bonds decreased by $20,381 and second, $222,660 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(202,279)
Change in Net Position of Governmental Activities		**$ 217,811**

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Deposits and investments	$ 463,047
Receivables	674
Total Assets	$ 463,721
LIABILITIES	
Due to student groups	$ 234,306
Due to bargaining units	229,415
Total Liabilities	$ 463,721

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Bear Valley Unified School District (the District) was unified in 1958 under the laws of the State of California. The District operates under a locally elected five member Board form of government and provides educational services to grades K -12 as mandated by the State and/or Federal agencies. The District operates four elementary schools, one middle school, one high school, and one continuation high school.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

COP Capital Projects Fund The COP Capital Projects Fund is used to account for capital projects financed by Certificates of Participation.

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

COP Debt Service Fund The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for student body activities (ASB) and for amounts held on behalf of the District employee bargaining units.

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within ninety days of fiscal year-end. Generally, available is defined as collectible within 90 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for LEAs as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

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

Prepaid Expenses

Prepaid expenses represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from other funds/due to other funds". These amounts are eliminated in the governmental columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $6,844,327 of restricted net position.

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

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

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

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

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

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

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

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

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

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

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 11,630,646
Fiduciary funds	463,047
Total Deposits and Investments	$ 12,093,693

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

Cash on hand and in banks	$ 514,688
Cash in revolving	10,000
Investments	11,569,005
Total Deposits and Investments	$ 12,093,693

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment Pool. The District maintains an investment of $11,569,005 with the San Bernardino County Investment Pool that has an average weighted maturity of 341 days.

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 San Bernardino County Investment Pool has been rated by Fitch Ratings as AAA/V1.

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 (unless so waived by the governmental unit). 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, 2017, the District had $30,182 that was uninsured.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Fair Value	Uncategorized
San Bernardino County Investment Pool	$ 11,566,175	$ 11,566,175

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government					
Categorical aid	$ 450,811	$ -	$ 153,611	$ 604,422	$ -
State Government					
LCFF principal apportionment	73,223	-	-	73,223	-
Categorical aid	224,186	-	11,121	235,307	-
Lottery	95,940	-	-	95,940	-
Local Government					
Interest	11,612	7,772	985	20,369	-
Other Local Sources					
Other local	350,950	11,727	23,571	386,248	674
Total	$ 1,206,722	$ 19,499	$ 189,288	$ 1,415,509	$ 674

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 686,793	$ -	$ -	$ 686,793
Construction in process	5,138,766	196,830	-	5,335,596
Total Capital Assets Not Being Depreciated	5,825,559	196,830	-	6,022,389
Capital Assets Being Depreciated				
Site improvements	10,630,248	-	-	10,630,248
Buildings and improvements	50,975,745	1,351,782	-	52,327,527
Furniture and equipment	5,416,254	137,709	-	5,553,963
Total Capital Assets Being Depreciated	67,022,247	1,489,491	-	68,511,738
Less Accumulated Depreciation				
Site improvements	5,175,768	231,741	-	5,407,509
Buildings and improvements	19,054,252	1,397,176	-	20,451,428
Furniture and equipment	4,495,279	251,062	-	4,746,341
Total Accumulated Depreciation	28,725,299	1,879,979	-	30,605,278
Governmental Activities Capital Assets, Net	$ 44,122,507	$ (193,658)	$ -	$ 43,928,849

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	$ 1,249,104
Home-to-school transportation	61,583
Food services	87,105
All other pupil services	101,224
Data processing	33,126
All other general administration	131,902
Plant services	215,935
Total Depreciation Expenses Governmental Activities	$ 1,879,979

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, between major funds and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 5,013	$ 123,254	$ 128,267
Capital Facilities Fund	608,433	-	-	608,433
Non-Major Governmental	5,323	-	-	5,323
Total	$ 613,756	$ 5,013	$ 123,254	$ 742,023

The General Fund owes the Capital Facilities Fund $608,433 for Redevelopment Agency funds.

The General Fund owes the Cafeteria Non-Major Governmental Fund $5,323 for direct and indirect costs.

The Capital Facilities Fund owes the General Fund $5,013 for developer fees administration related costs.

The Cafeteria Non-Major Governmental Fund owes the General Fund $123,254 for payroll and indirect related costs.

Operating Transfers

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 1,450	$ 1,450
Capital Facilities Fund	1,412,805	-	1,412,805
Non-Major Governmental Funds	385,319	-	385,319
Total	$ 1,798,124	$ 1,450	$ 1,799,574

The General Fund transferred to the Capital Facilities Fund for RDA monies received.	$ 1,412,805
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the bad debt of uncollectable accounts receivable.	4,831
The General Fund transferred to the Special Reserve for Capital Outlay Non-Major Governmental Fund for the Technology Sustainability Program.	78,000
The General Fund transferred to the COP Debt Service Non-Major Governmental Fund monies for debt service interest payments.	302,488
The COP Capital Projects Non-Major Governmental Fund transferred to the General Fund for reimbursement of expenditures.	1,450
	$ 1,799,574

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	$ 1,372,902	$ -	$ 2,666	$ 1,375,568
LCFF principal apportionment	472,235	-	-	472,235
Vendor payables	1,030,763	157,661	26,124	1,214,548
Total	$ 2,875,900	$ 157,661	$ 28,790	$ 3,062,351

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 16,313,377	$ 8,667,660	$ 9,940,000	$ 15,041,037	$ 1,640,000
Premium on bonds	920,827	682,664	545,527	1,057,964	-
Certificate of Participation	5,775,000	-	55,000	5,720,000	55,000
Lease/purchase financing	2,210,000	-	95,000	2,115,000	115,000
Other postemployment benefits	1,602,748	311,593	-	1,914,341	-
Compensated absences	72,360	35,025	-	107,385	-
Total	$ 26,894,312	$ 9,696,942	$ 10,635,527	$ 25,955,727	$ 1,810,000

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local tax revenues. Payments on the certificates of participation are paid by the COP Debt Service Fund. The lease purchase will be paid by the General Fund. The other postemployment benefits obligations are paid in each fund where the benefits are earned. Compensated absences are paid by the fund for which the employee worked.

Bonded Debt

General Obligation Bonds

General Obligation Bonds	Original Issue	Bonds Outstanding July 1, 2016	Accreted Interest/ Additions	Redeemed	Bonds Outstanding June 30, 2017	Due in One Year
2002 Series A	$ 14,998,986	$ 578,145	$ 21,855	$ 600,000	$ -	$ -
2006 Refunding	10,629,898	6,810,232	200,805	690,000	6,321,037	1,275,000
2002 Series B	10,000,000	8,925,000	-	8,650,000	275,000	275,000
2016 Refunding	8,445,000	-	8,445,000	-	8,445,000	90,000
	$ 44,073,884	$ 16,313,377	$ 8,667,660	$9,940,000	$ 15,041,037	$ 1,640,000

2002 General Obligation Bonds, Series A

In June 2003, the District issued the 2002 General Obligation Bonds, Series A in the amount of $14,998,986. The proceeds were used for upgrades and renovation of District facilities. The interest rates on the bonds range from 2.25 to 4.25 percent. The bonds, as issued, included current interest maturities totaling $14,320,000 and capital accretion bonds with original principal amounts totaling $678,986, (accreting to $1,675,000). A portion of the current interest bonds ($9,930,000) was refunded in 2006; see below. During the year ended June 30, 2017, the bonds were paid in full.

2006 General Obligation Refunding Bonds

In December 2005, the District issued the 2006 General Obligation Refunding Bonds in the amount of $10,629,898. The bonds were issued to advance refund all maturities of the 2002 General Obligation Bonds, Series A, that mature after August 1, 2017. As of June 30, 2017, the principal balance of the 2006 General Obligation Refunding Bonds outstanding (including accretion to date) was $6,321,037. Unamortized premium received on the issuance of the bonds amounted to $417,018 as of June 30, 2017. The maturities are summarized as follows:

Fiscal Year	Principal Including Accretion to Date	Accreted Interest	Current Interest to Maturity	Total
2018	$ 1,275,000	$ -	$ 186,537	$ 1,461,537
2019	1,385,000	-	119,763	1,504,763
2020	1,485,000	-	40,838	1,525,838
2021	1,150,817	464,183	-	1,615,000
2022	1,025,220	559,780	-	1,585,000
Total	$ 6,321,037	$ 1,023,963	$ 347,138	$ 7,692,138

2002 General Obligation Bonds, Series B

In March 2007, the District issued the 2002 General Obligation Bonds, Series B in the amount of $10,000,000. The proceeds were to be used for repair, upgrading, acquisition, construction, and equipping of certain District property and to pay costs of issuance of the bonds. The interest rates on the bonds range from 4.0 to 5.0 percent. A portion of the current interest bonds in the amount of $8,500,000 was refunded in 2016; see below. As of June 30, 2017, the principal balance outstanding was $275,000. The maturities are summarized as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 275,000	$ 6,875	$ 281,875

2016 General Obligation Refunding Bonds

In August 2016, the District issued the 2016 General Obligation Refunding Bonds in the amount of $8,445,000. The bonds were issued as current interest bonds. The bonds were issued to advance refund the Election of 2002 General Obligation, Series B, maturing August 1, 2018 through August 1, 2031, and to pay the cost of the issuance associated with the refunding bonds. The bonds bear interest rates from 2.00 to 4.00 percent.

$8,500,000 is the principal amount to be refunded at the redemption date of August 1, 2017. At June 30, 2017, the balance of the funds in the escrow account was $8,664,762. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cumulative cash flow saving of $2,043,693 over the life of the new debt and an economic gain of $1,729,508 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.014 percent.

At June 30, 2017, the principal balance of the 2016 General Obligation Refunding Bonds outstanding was $8,445,000. Unamortized premium received on issuance of the bonds amounted to $640,946 as of June 30, 2017.

The maturities are summarized as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 90,000	$ 257,900	$ 347,900
2019	320,000	249,700	569,700
2020	365,000	236,000	601,000
2021	350,000	221,700	571,700
2022	415,000	206,400	621,400
2023-2027	3,000,000	704,700	3,704,700
2028-2032	3,905,000	201,750	4,106,750
Total	$ 8,445,000	$ 2,078,150	$ 10,523,150

Certificates of Participation

In November 2013, the District issued Certificates of Participation in the amount of $5,810,000 through a facilities lease with the Public Property Financing Corporation of California, a California nonprofit public benefit corporation. The certificate matures through October 1, 2038 yielding a four percent interest rate through 2033 and 4.75 percent through 2038. Proceeds from the issuance were used to purchase the "Districts 2013" project for the capital lease equipment. As of June 30, 2017, $5,720,000 was outstanding.

The certificate of participation matures as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 55,000	$ 245,287	$ 300,287
2019	80,000	242,587	322,587
2020	85,000	239,288	324,288
2021	105,000	235,488	340,488
2022	110,000	231,188	341,188
2023-2027	840,000	1,068,338	1,908,338
2028-2032	1,370,000	849,938	2,219,938
2033-2037	1,985,000	504,956	2,489,956
2038-2039	1,090,000	52,962	1,142,962
Total	$ 5,720,000	$ 3,670,032	$ 9,390,032

Lease/Purchase Financing

The District has entered into an agreement to lease equipment. This agreement is, in substance, a purchase and is reported as a lease obligation. The District's liability on this lease agreement with the option to purchase is summarized below:

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	$ 115,000	$ 68,399	$ 183,399
2019	135,000	64,680	199,680
2020	145,000	60,314	205,314
2021	155,000	55,625	210,625
2022	165,000	50,616	215,616
2023-2027	1,025,000	164,309	1,189,309
2028-2029	375,000	16,372	391,372
Total	$ 2,115,000	$ 480,315	$ 2,595,315

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $438,145, and contributions made by the District during the year were $111,847. Interest on the net OPEB obligation and adjustments to the annual required contribution were $72,124 and $(86,829), respectively, which resulted in an increase to the net OPEB obligation of $311,593. As of June 30, 2017, the net OPEB obligation was $1,914,341. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

At June 30, 2017, the accumulated unpaid employee vacation amounted to $107,385.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 10,000	$ -	$ -	$ -	$ 10,000
Stores inventories	13,867	-	-	10,462	24,329
Prepaid expenditures	1,750	-	-	-	1,750
Total Nonspendable	25,617	-	-	10,462	36,079
Restricted					
Legally restricted programs	646,583	-	-	-	646,583
Cafeteria program	-	-	-	348,117	348,117
Capital projects	-	3,808,735	-	280,182	4,088,917
Debt services	-	-	2,317,504	-	2,317,504
Total Restricted	646,583	3,808,735	2,317,504	628,299	7,401,121
Committed					
Deferred maintenance program	-	-	-	418,138	418,138
Assigned					
Capital Projects	-	-	-	1,091,722	1,091,722
Unassigned					
Reserve for economic uncertainties	1,062,823	-	-	-	1,062,823
Total	$ 1,735,023	$ 3,808,735	$ 2,317,504	$ 2,148,621	$ 10,009,883

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan. The Plan provides medical and vision insurance benefits to eligible retirees and dependents. Membership of the Plan consists of 15 retirees and beneficiaries currently receiving benefits, and 192 active Plan members. The Plan is currently unfunded.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $111,847 based on established contribution caps.

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 30 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	$ 438,145
Interest on net OPEB obligation	72,124
Adjustment to annual required contribution	(86,829)
Annual OPEB cost (expense)	423,440
Contributions made	(111,847)
Increase in net OPEB obligation	311,593
Net OPEB obligation, beginning of year	1,602,748
Net OPEB obligation, end of year	$ 1,914,341

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 298,930	$ 132,048	44%	$ 1,379,636
2016	298,629	75,517	25%	1,602,748
2017	423,440	111,847	26%	1,914,341