

BEAR VALLEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bear Valley Unified School District, as of June 30, 2016, 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 management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 58, schedule of other postemployment benefits funding progress on page 59, schedule of the District's proportionate share of the net pension liability on page 60, and the schedule of District contributions on page 61, 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 Bear Valley Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the Bear Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bear Valley Unified School District's internal control over financial reporting and compliance.

Vauinek, Tine, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2016

BOARD OF TRUSTEES

Dr. Stephen Foulkes
Mr. John Goepp
Mrs. Beverly Grabe
Mrs. Cathy Herrick
Vacant

Dr. Mary M. Suzuki
Superintendent of Schools



BEAR VALLEY SCHOOLS

Big Bear Elementary
North Shore Elementary
Baldwin Lane Elementary
Fallsvale School
Big Bear Middle
Big Bear High
Chautauqua High

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) 2015-2016 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information from June 30, 2015. 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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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 \$9.5 million for the fiscal year ended June 30, 2016. Of this amount, (\$17.8) 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	
	2016	2015
Assets		
Current and other assets	\$ 13,311,072	\$ 14,966,885
Capital assets	44,122,507	40,704,241
Total Assets	57,433,579	55,671,126
Deferred Outflows of Resources	5,634,724	1,301,601
Liabilities		
Current liabilities	3,366,089	2,783,782
Long-term obligations	26,894,312	27,998,495
Aggregate net pension liability	19,457,498	14,750,158
Total Liabilities	49,717,899	45,532,435
Deferred Outflows of Resources	3,896,878	4,023,792
Net Position		
Net investment in capital assets	21,091,862	20,089,860
Restricted	6,208,152	5,573,371
Unrestricted	(17,846,488)	(18,246,731)
Total Net Position	\$ 9,453,526	\$ 7,416,500

The (\$17.8) million in unrestricted net position represents the accumulated results of all past years' operations.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 249,555	\$ 535,642
Operating and capital grants and contributions	3,358,389	3,898,920
General revenues:		
Federal and State aid not restricted	13,476,724	13,023,088
Property taxes	12,402,797	10,125,466
Other general revenues	696,477	429,224
Total Revenues	30,183,942	28,012,340
Expenses		
Instruction-related	18,988,903	18,033,828
Pupil services	3,298,012	3,151,504
Administration	2,137,228	2,169,860
Plant services	2,269,629	3,163,015
Other general expenses	1,453,144	2,641,346
Total Expenses	28,146,916	29,159,553
Changes in Net Position	\$ 2,037,026	\$ (1,147,213)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$28.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$12.4 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 (\$3.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$14.2 million in Federal and State unrestricted funds and with other revenues like interest and general entitlements.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,448,761	\$ (14,474,406)	\$ 15,551,699	\$ (13,395,242)
Instruction-related activities	2,540,142	(2,324,994)	2,482,129	(2,259,794)
Pupil services	3,298,012	(2,249,407)	3,151,504	(2,036,410)
Administration	2,137,228	(2,046,293)	2,169,860	(2,069,101)
Plant services	2,269,629	(2,233,575)	3,163,015	(3,091,121)
Other	1,453,144	(1,210,297)	2,641,346	(1,873,323)
Total	\$ 28,146,916	\$ (24,538,972)	\$ 29,159,553	\$ (24,724,991)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$10.2 million, which is a decrease of \$2.3 million from last year (Table 4).

Table 4

	Fund Balance	
	June 30, 2016	June 30, 2015
General Fund	\$ 2,254,997	\$ 1,057,285
Capital Facilities Fund	3,570,218	3,076,191
COP Capital Project Fund	280,182	4,280,221
Bond Interest and Redemption Fund	2,315,135	2,271,300
Cafeteria Fund	373,332	441,079
Deferred Maintenance Fund	312,267	184,188
Special Reserve Fund for Capital Outlay Projects	1,135,845	1,186,120
Total	\$ 10,241,976	\$ 12,496,384

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

The two primary funds' increases are:

Our General Fund is our principal operating fund. The balance in the General Fund increased \$1,197,712. This increase is due to:

1. Receipt of one-time monies in the amount of \$1.1 million for Mandated Block Grant.
2. In addition to the one-time monies the Governor increased the LCFF (Local Control Funding Formula) Gap funding to further fund K-12 revenues at the 2007 level.

General Fund Budgetary Highlights

This year, the District's General Fund increased approximately \$1.2 million. This increase includes a retro-active salary increase of five percent back to July 2015.

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, 2016, the District had \$44.1 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase of \$3.4 million from last year.

Table 5

	Governmental Activities	
	2016	2015
Land and construction in process	\$ 5,825,559	\$ 686,793
Buildings and improvements	37,375,973	38,969,050
Equipment	920,975	1,048,398
Total	\$ 44,122,507	\$ 40,704,241

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Long-Term Obligations

At the end of this year, the District had \$16.3 million in bonds outstanding versus \$17.4 million last year. At the end of the year, the District had \$27.0 million 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	
	2016	2015
General obligation bonds (Financed with property taxes)	\$ 16,313,377	\$ 17,424,493
Premium on bonds	920,827	1,039,602
Certificate of participation	5,775,000	5,810,000
Lease/purchase financing	2,210,000	2,285,000
Other postemployment benefits	1,602,748	1,379,636
Compensated absences and other	72,360	59,764
Total	\$ 26,894,312	\$ 27,998,495

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 \$19,457,498. The District has therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

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 2016-2017 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.

The Gap funding in fiscal year 2016-2017 is estimated at 54.18 percent along with the increased enrollment of 200 students is contributing to an estimated increase in revenue of \$2.1 million over the prior fiscal year. This is based on improved revenues associated with the Local Control Funding Formula for the current year. In the event these additional revenues are not realized, recommendations for expenditure reductions will be made to the Governing Board in an amount sufficient to ensure deficit spending is eliminated.

The revenue projections for 2016-2017 and 2017-2018 are very conservative as we continue to project declining enrollment.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 11,048,525
Receivables	2,241,710
Stores inventories	20,837
Total Current Assets	<u>13,311,072</u>
Capital assets	
Land and construction in process	5,825,559
Other capital assets	67,022,247
Less: Accumulated depreciation	<u>(28,725,299)</u>
Total Capital Assets	<u>44,122,507</u>
Total Assets	<u>57,433,579</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>5,634,724</u>
LIABILITIES	
Accounts payable	3,069,096
Accrued interest payable	296,993
Long-term obligations	
Current portion of long-term obligations other than pensions	1,590,000
Noncurrent portion of long-term obligations other than pensions	<u>25,304,312</u>
Total Long-Term Obligations	<u>26,894,312</u>
Aggregate net pension liability	<u>19,457,498</u>
Total Liabilities	<u>49,717,899</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>3,896,878</u>
NET POSITION	
Net investment in capital assets	21,091,862
Restricted for:	
Debt service	2,018,142
Capital projects	3,570,218
Educational programs	261,322
Other activities	358,470
Unrestricted	<u>(17,846,488)</u>
Total Net Position	<u>\$ 9,453,526</u>

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 16,448,761	\$ -	\$ 1,974,355	\$ (14,474,406)
Instruction-related activities:				
Supervision of instruction	513,363	-	127,936	(385,427)
Instructional library, media, and technology	117,172	-	22,311	(94,861)
School site administration	1,909,607	-	64,901	(1,844,706)
Pupil services:				
Home-to-school transportation	774,344	-	-	(774,344)
Food services	1,092,151	103,559	814,738	(173,854)
All other pupil services	1,431,517	3,922	126,386	(1,301,209)
General administration:				
Data processing	471,791	-	-	(471,791)
All other general administration	1,665,437	5,721	85,214	(1,574,502)
Plant services	2,269,629	18,365	17,689	(2,233,575)
Ancillary services	220,967	-	4,191	(216,776)
Interest on long-term obligations	1,136,856	-	-	(1,136,856)
Other outgo	95,321	117,988	120,668	143,335
Total Governmental Activities	\$ 28,146,916	\$ 249,555	\$ 3,358,389	(24,538,972)
Total School District				
		General revenues and subventions:		
				8,946,259
				2,062,760
				1,393,778
				13,476,724
				25,043
				671,434
		Subtotal, General Revenues and Subventions		26,575,998
		Change in Net Position		2,037,026
		Net Position - Beginning		7,416,500
		Net Position - Ending		\$ 9,453,526

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>COP Capital Projects Fund</u>
ASSETS			
Deposits and investments	\$ 3,644,048	\$ 2,965,982	\$ 280,182
Receivables	1,451,568	619,377	-
Due from other funds	106,786	-	-
Stores inventories	5,975	-	-
Total Assets	<u>\$ 5,208,377</u>	<u>\$ 3,585,359</u>	<u>\$ 280,182</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,953,380	\$ 10,541	\$ -
Due to other funds	-	4,600	-
Total Liabilities	<u>2,953,380</u>	<u>15,141</u>	<u>-</u>
Fund Balances:			
Nonspendable	15,975	-	-
Restricted	261,322	3,570,218	280,182
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,977,700	-	-
Total Fund Balances	<u>2,254,997</u>	<u>3,570,218</u>	<u>280,182</u>
Total Liabilities and Fund Balances	<u>\$ 5,208,377</u>	<u>\$ 3,585,359</u>	<u>\$ 280,182</u>

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 2,315,135	\$ 1,843,178	\$ 11,048,525
-	170,765	2,241,710
-	-	106,786
-	14,862	20,837
<u>\$ 2,315,135</u>	<u>\$ 2,028,805</u>	<u>\$ 13,417,858</u>
\$ -	\$ 105,175	\$ 3,069,096
-	102,186	106,786
-	207,361	3,175,882
-	14,862	30,837
2,315,135	358,470	6,785,327
-	312,267	312,267
-	1,135,845	1,135,845
-	-	1,977,700
<u>2,315,135</u>	<u>1,821,444</u>	<u>10,241,976</u>
<u>\$ 2,315,135</u>	<u>\$ 2,028,805</u>	<u>\$ 13,417,858</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds	\$ 10,241,976
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	\$ 72,847,806
Accumulated depreciation is	<u>(28,725,299)</u>
Total Capital Assets	44,122,507
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	1,595,466
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.	(296,993)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	1,743,592
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(1,340,572)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	58,470
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(319,110)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(19,457,498)

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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

Long-term obligations at year-end consist of:

General obligation bonds	\$ 14,405,000
Premium on bonds	920,827
Certificates of participation	5,775,000
Capital lease agreement	2,210,000
Other postemployment benefits (OPEB)	1,602,748
Compensated absences	72,360

In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:

1,908,377

Total Long-Term Obligations

\$ (26,894,312)

Total Net Position - Governmental Activities

\$ 9,453,526

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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

	General Fund	Capital Facilities Fund	COP Capital Projects Fund
REVENUES			
Local Control Funding Formula	\$ 20,494,725	\$ -	\$ -
Federal sources	1,205,231	-	-
Other State sources	2,599,435	-	-
Other local sources	2,530,139	165,881	-
Total Revenues	26,829,530	165,881	-
EXPENDITURES			
Current			
Instruction	14,547,207	-	-
Instruction-related activities:			
Supervision of instruction	512,992	-	-
Instructional library, media, and technology	116,356	-	-
School site administration	1,897,212	-	-
Pupil services:			
Home-to-school transportation	775,744	-	-
Food services	-	-	-
All other pupil services	1,386,383	-	-
General administration:			
Data processing	445,186	-	-
All other general administration	1,491,741	6,573	-
Plant services	2,351,989	553,169	-
Facility acquisition and construction	-	371,314	4,000,039
Ancillary services	219,758	-	-
Other outgo	95,321	-	-
Debt service			
Principal	75,000	-	-
Interest and other	73,896	-	-
Total Expenditures	23,988,785	931,056	4,000,039
Excess (Deficiency) of Revenues Over Expenditures	2,840,745	(765,175)	(4,000,039)
OTHER FINANCING SOURCES (USES)			
Transfers in	11,106	1,359,202	-
Transfers out	(1,654,139)	(100,000)	-
Net Financing Sources (Uses)	(1,643,033)	1,259,202	-
NET CHANGE IN FUND BALANCES	1,197,712	494,027	(4,000,039)
Fund Balances - Beginning	1,057,285	3,076,191	4,280,221
Fund Balances - Ending	\$ 2,254,997	\$ 3,570,218	\$ 280,182

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 100,000	\$ 20,594,725
-	878,412	2,083,643
8,445	65,599	2,673,479
2,095,241	118,747	4,910,008
<u>2,103,686</u>	<u>1,162,758</u>	<u>30,261,855</u>
-	-	14,547,207
-	-	512,992
-	-	116,356
-	-	1,897,212
-	-	775,744
-	1,072,641	1,072,641
-	-	1,386,383
-	-	445,186
-	50,770	1,549,084
-	58,332	2,963,490
-	70,501	4,441,854
-	-	219,758
-	-	95,321
1,355,000	35,000	1,465,000
704,851	249,288	1,028,035
<u>2,059,851</u>	<u>1,536,532</u>	<u>32,516,263</u>
<u>43,835</u>	<u>(373,774)</u>	<u>(2,254,408)</u>
-	394,937	1,765,245
-	(11,106)	(1,765,245)
-	383,831	-
<u>43,835</u>	<u>10,057</u>	<u>(2,254,408)</u>
<u>2,271,300</u>	<u>1,811,387</u>	<u>12,496,384</u>
<u>\$ 2,315,135</u>	<u>\$ 1,821,444</u>	<u>\$ 10,241,976</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		\$ (2,254,408)
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 capital outlays exceeds depreciation in the period.		
Capital outlays	\$ 5,275,375	
Depreciation expense	<u>(1,857,109)</u>	3,418,266
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 \$12,596.		(12,596)
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.		(247,303)
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	1,355,000	
Certificate of Participation	35,000	
Lease purchase agreement	<u>75,000</u>	1,465,000
Premiums on the issuance of bonds is amortized on the Statement of Activities over the life of the bonds as a component of interest expense in the Statement of Activities. This adjustment combines the net changes of the following balances:		
Amortization of debt premium		118,775
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 than the annual required contribution.		(223,112)
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 \$16,288 and second, \$243,884 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		<u>(227,596)</u>
Change in Net Position of Governmental Activities		<u>\$ 2,037,026</u>

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 480,614
Receivables	492
Total Assets	<u><u>\$ 481,106</u></u>
 LIABILITIES	
Due to student groups	\$ 202,409
Due to bargaining units	278,697
Total Liabilities	<u><u>\$ 481,106</u></u>

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 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).

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

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).

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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).

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 fund accounts for student body activities (ASB) and amounts held on behalf of the District employee bargaining units.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. 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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 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.

Prepaid Expenditures

Prepaid expenditures (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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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 "interfund receivables/payables". 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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Fund Balances - Governmental Funds

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

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

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

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

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$6,208,152 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.

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Change in Accounting Principles

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

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

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

This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

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

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

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

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

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

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

New Accounting Pronouncements

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

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

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2016

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

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

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

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

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

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. 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 GASB 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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an 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 GASB Statement No. 14, *The Financial Reporting Entity*. 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 GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*.

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

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

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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 GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	\$ 11,048,525
Fiduciary funds	480,614
Total Deposits and Investments	<u>\$ 11,529,139</u>

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

Cash on hand and in banks	\$ 482,791
Cash in revolving	10,000
Investments	11,036,348
Total Deposits and Investments	<u>\$ 11,529,139</u>

Policies and Practices

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$11,063,647 with the San Bernardino County Investment Pool that has an average weighted maturity of 311 days.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016, 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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The District's fair value measurements are as follows at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
San Bernardino County Investment Pool	<u>\$ 11,063,647</u>	<u>\$ 11,063,647</u>

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Fund</u>
Federal Government					
Categorical aid	\$ 599,458	\$ -	\$ 132,890	\$ 732,348	\$ -
State Government					
Categorical aid	218,640	-	10,911	229,551	-
Lottery	263,253	-	-	263,253	-
Local Government					
Interest	9,500	5,243	2,473	17,216	492
Other Local Sources					
Other local	360,717	614,134	24,491	999,342	-
Total	<u>\$ 1,451,568</u>	<u>\$ 619,377</u>	<u>\$ 170,765</u>	<u>\$ 2,241,710</u>	<u>\$ 492</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 686,793	\$ -	\$ -	\$ 686,793
Construction in process	-	5,138,766	-	5,138,766
Total Capital Assets Not Being Depreciated	686,793	5,138,766	-	5,825,559
Capital Assets Being Depreciated				
Site improvements	10,630,248	-	-	10,630,248
Buildings and improvements	50,975,745	-	-	50,975,745
Furniture and equipment	5,279,645	136,609	-	5,416,254
Total Capital Assets Being Depreciated	66,885,638	136,609	-	67,022,247
Less Accumulated Depreciation				
Site improvements	4,943,726	232,042	-	5,175,768
Buildings and improvements	17,693,217	1,361,035	-	19,054,252
Furniture and equipment	4,231,247	264,032	-	4,495,279
Total Accumulated Depreciation	26,868,190	1,857,109	-	28,725,299
Governmental Activities Capital Assets, Net	\$ 40,704,241	\$ 3,418,266	\$ -	\$ 44,122,507

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,515,560
Food services	21,430
All other pupil services	37,086
Data processing	26,786
All other general administration	111,453
Plant services	144,794
Total Depreciation Expenses Governmental Activities	<u>\$ 1,857,109</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2016, between major funds and non-major governmental funds are as follows:

<u>Due To</u>	<u>Due From</u>		<u>Total</u>
	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ 4,600	\$ 102,186	\$ 106,786

The Capital Facilities Fund owes the General Fund \$4,600 for development fees administration related costs.

The Cafeteria Non-Major Governmental Fund owes the General Fund \$102,186 for payroll and indirect related costs.

Operating Transfers

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 11,106	\$ 11,106
Capital Facilities Fund	1,359,202	-	-	1,359,202
Non-Major Governmental Funds	294,937	100,000	-	394,937
Total	<u>\$ 1,654,139</u>	<u>\$ 100,000</u>	<u>\$ 11,106</u>	<u>\$ 1,765,245</u>

The General Fund transferred to the Capital Facilities Fund for monies that should have been deposited by the County directly to the Capital Facilities Fund. \$ 1,359,202

The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the bad debt of uncollectable accounts receivable. 10,649

The General Fund transferred to the COP Debt Service Non-Major Governmental Fund monies for debt service interest payments. 284,288

The Capital Facilities Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for the required annual match. 100,000

The Cafeteria Non-Major Governmental Fund transferred to the General Fund for child nutrition's portion of the employee health and benefit pool. 11,106

\$ 1,765,245

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,123,448	\$ -	\$ 162	\$ 1,123,610
Federal categorical aid	85,105	-	-	85,105
LCFF principal apportionment	382,924	-	-	382,924
Vendor payables	1,361,903	10,541	39,588	1,412,032
Construction	-	-	65,425	65,425
Total	<u>\$ 2,953,380</u>	<u>\$ 10,541</u>	<u>\$ 105,175</u>	<u>\$ 3,069,096</u>

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, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 17,424,493	\$ 243,884	\$ 1,355,000	\$ 16,313,377	\$ 1,440,000
Premium on bonds	1,039,602	-	118,775	920,827	-
Certificate of Participation	5,810,000	-	35,000	5,775,000	55,000
Lease/purchase financing	2,285,000	-	75,000	2,210,000	95,000
Other postemployment benefits	1,379,636	298,629	75,517	1,602,748	-
Compensated absences	59,764	12,596	-	72,360	-
Total	<u>\$ 27,998,495</u>	<u>\$ 555,109</u>	<u>\$ 1,659,292</u>	<u>\$ 26,894,312</u>	<u>\$ 1,590,000</u>

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Bonded Debt

General Obligation Bonds

General Obligation Bonds	Original Issue	Bonds Outstanding July 1, 2015	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2016	Due in One Year
2002 Series A	\$ 14,998,986	\$ 1,066,535	\$ 61,610	\$ 550,000	\$ 578,145	\$ 600,000
2006 Refunding	10,629,898	7,282,958	182,274	655,000	6,810,232	690,000
2002 Series B	10,000,000	9,075,000	-	150,000	8,925,000	150,000
	<u>\$ 35,628,884</u>	<u>\$ 17,424,493</u>	<u>\$ 243,884</u>	<u>\$ 1,355,000</u>	<u>\$ 16,313,377</u>	<u>\$ 1,440,000</u>

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. As of June 30, 2016, the principal balance outstanding (including accretion to date) is \$578,145. The maturities are summarized as follows:

Fiscal Year	Principal Including Accretion to Date	Accreted Interest to Maturity	Total
2017	\$ 578,145	\$ 21,855	\$ 600,000

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, 2016, the principal balance of the 2006 General Obligation Refunding Bonds outstanding (including accretion to date) is \$6,810,232. The maturities are summarized as follows:

Fiscal Year	Principal Including Accretion to Date	Accreted Interest to Maturity	Interest to Maturity	Total
2017	\$ 690,000	\$ -	\$ 232,475	\$ 922,475
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	1,044,621	570,379	-	1,615,000
2022	930,611	654,389	-	1,585,000
Total	<u>\$ 6,810,232</u>	<u>\$ 1,224,768</u>	<u>\$ 579,613</u>	<u>\$ 8,614,613</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. As of June 30, 2016, the principal balance outstanding is \$8,925,000. The maturities are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 150,000	\$ 429,750	\$ 579,750
2018	275,000	419,125	694,125
2019	275,000	406,750	681,750
2020	325,000	394,750	719,750
2021	300,000	382,250	682,250
2022-2026	2,650,000	1,596,875	4,246,875
2027-2031	3,975,000	771,875	4,746,875
2032	975,000	24,375	999,375
Total	<u>\$ 8,925,000</u>	<u>\$ 4,425,750</u>	<u>\$ 13,350,750</u>

Certificates of Participation

In October 2014, 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, 2016, \$5,775,000 was outstanding.

The certificate of participation matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 55,000	\$ 247,487	\$ 302,487
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
2022-2026	740,000	1,099,938	1,839,938
2027-2031	1,260,000	902,538	2,162,538
2032-2036	1,815,000	588,531	2,403,531
2037-2039	1,580,000	116,375	1,696,375
Total	<u>\$ 5,775,000</u>	<u>\$ 3,917,519</u>	<u>\$ 9,692,519</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 95,000	\$ 71,471	\$ 166,471
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
2022-2026	960,000	195,360	1,155,360
2027-2029	605,000	35,937	640,937
Total	<u>\$ 2,210,000</u>	<u>\$ 551,786</u>	<u>\$ 2,761,786</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$307,002, and contributions made by the District during the year were \$75,517. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$62,084 and \$(70,457), respectively, which resulted in an increase to the net OPEB obligation of \$223,112. As of June 30, 2016, the net OPEB obligation was \$1,602,748. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

At June 30, 2016, the accumulated unpaid employee vacation amounted to \$72,360.

NOTE 9 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2016, the following District major fund exceeded the budgeted amount in total as follows:

	<u>Expenditures and Other Financing Uses</u>		
	<u>Budget</u>	<u>Actual*</u>	<u>Excess</u>
General Fund	<u>\$ 20,420,487</u>	<u>\$ 23,988,785</u>	<u>\$ 3,568,298</u>

* Includes on behalf payments of \$662,282.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	COP Capital Projects Fund	Bond Interest and Redemption Fund
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -
Stores inventories	5,975	-	-	-
Total Nonspendable	<u>15,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	261,322	-	-	-
Cafeteria program	-	-	-	-
Capital projects	-	3,570,218	280,182	-
Debt services	-	-	-	2,315,135
Total Restricted	<u>261,322</u>	<u>3,570,218</u>	<u>280,182</u>	<u>2,315,135</u>
Committed				
Deferred maintenance program	-	-	-	-
Assigned				
Capital Projects	-	-	-	-
Unassigned				
Reserve for economic uncertainties	1,977,700	-	-	-
Total Unassigned	<u>1,977,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,254,997</u>	<u>\$ 3,570,218</u>	<u>\$ 280,182</u>	<u>\$ 2,315,135</u>

Non-Major Governmental Funds	Total
\$ -	\$ 10,000
14,862	20,837
<u>14,862</u>	<u>30,837</u>
-	261,322
358,470	358,470
-	3,850,400
-	2,315,135
<u>358,470</u>	<u>6,785,327</u>
<u>312,267</u>	<u>312,267</u>
<u>1,135,845</u>	<u>1,135,845</u>
-	1,977,700
-	1,977,700
<u>\$ 1,821,444</u>	<u>\$ 10,241,976</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan. The Plan provides medical and vision insurance benefits to eligible retirees and dependents. Membership of the Plan consists of 16 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 2015-2016, the District contributed \$75,517 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	\$	307,002
Interest on net OPEB obligation		62,084
Adjustment to annual required contribution		(70,457)
Annual OPEB cost (expense)		<u>298,629</u>
Contributions made		<u>(75,517)</u>
Increase in net OPEB obligation		223,112
Net OPEB obligation, beginning of year		<u>1,379,636</u>
Net OPEB obligation, end of year	\$	<u><u>1,602,748</u></u>

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
2014	\$ 298,783	\$ 115,902	39%	\$ 1,212,754
2015	298,930	132,048	44%	1,379,636
2016	298,629	75,517	25%	1,602,748

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
January 28, 2015	\$ -	\$ 2,143,961	\$ 2,143,961	0%	\$ 13,849,208	15%

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

Actuarial Methods and Assumptions

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

In January 28, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5 percent investment rate of return. Benefit cost trend rates are estimated as four percent per year. The UAAL is being amortized at a level percentage, closed 30 year amortization period for the initial UAAL. Level percentage, open 25 year amortization period for any residual UAAL. There is no actuarial value of plan assets because no trust has been established.

NOTE 12 - RISK MANAGEMENT

The District's risk management activities are recorded in the General Fund. The District participates in the Southern California Schools Risk Management (SCSRM) workers' compensation program and purchases property and liability insurance through the JPA. The District participates in Schools' Excess Liability Fund (SELF) public entity risk pool for the purchase of excess liability coverage. Refer to Note 15 for additional information regarding the JPAs.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The following is a summary of the insurance policies carried by the District as of June 30, 2016:

Insurance Program Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Southern California School Risk Management	Workers' Compensation Excess	\$ 5,000,000 Statutory
<u>Property and Liability Program</u>		
Southern California School Risk Management	Property	\$ 600,000
	Excess Property	\$ 490,000,000
	Flood	\$ 20,000,000
	Machinery	\$ 100,000,000
	Crime	\$ 2,000,000
	Computer/EDP - Self Insured	\$ 25,000
	Liability - Self Insured	\$ 500,000
	Liability - Reinsured	\$ 4,500,000

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 14,263,881	\$ 3,997,565	\$ 2,524,951	\$ 1,104,898
CalPERS	5,193,617	1,637,159	1,371,927	480,537
Total	<u>\$ 19,457,498</u>	<u>\$ 5,634,724</u>	<u>\$ 3,896,878</u>	<u>\$ 1,585,435</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the District's total contributions were \$1,108,126.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 14,263,881
State's proportionate share of net pension liability associated with the District	7,544,020
Total	<u>\$ 21,807,901</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0212 percent and 0.0184 percent, respectively, resulting in a net increase in the proportionate share of 0.0028 percent.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$1,104,898. In addition, the District recognized pension expense and revenue of \$584,369 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,108,126	\$ -
Net change in proportionate share of net pension liability	1,765,579	-
Difference between projected and actual earnings on pension plan investments	1,123,860	2,286,598
Differences between expected and actual experience in the measurement of the total pension liability	-	238,353
Total	<u>\$ 3,997,565</u>	<u>\$ 2,524,951</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (481,234)
2018	(481,234)
2019	(481,234)
2020	280,964
Total	<u>\$ (1,162,738)</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ 254,538
2018	254,538
2019	254,538
2020	254,538
2021	254,538
Thereafter	254,536
Total	<u>\$ 1,527,226</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 21,537,349
Current discount rate (7.60%)	14,263,881
1% increase (8.60%)	8,219,041

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above, and the total District contributions were \$487,340.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$5,193,617. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014, was 0.0352 percent and 0.0354 percent, respectively, resulting in a net decrease in the proportionate share of 0.0002 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$480,537. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 487,340	\$ -
Net change in proportionate share of net pension liability	-	21,987
Difference between projected and actual earnings on pension plan investments	852,996	1,030,830
Differences between expected and actual experience in the measurement of the total pension liability	296,823	-
Changes of assumptions	-	319,110
Total	<u>\$ 1,637,159</u>	<u>\$ 1,371,927</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (130,361)
2018	(130,361)
2019	(130,361)
2020	213,249
Total	<u>\$ (177,834)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (15,267)
2018	(15,267)
2019	(13,740)
Total	<u>\$ (44,274)</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 8,453,044
Current discount rate (7.65%)	5,193,617
1% increase (8.65%)	2,483,185

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$662,282 (7.12589 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of Schools' Excess Liability Fund (SELF) and Southern California Schools Risk Management (SCSRM) public entity risk pools. The District pays annual premiums for its workers' compensation, and property and liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2016, the District made payments totaling \$839,623 to SCSRM.

NOTE 16 - SUBSEQUENT EVENTS

On August 1, 2016, the District refunded a portion of the 2002 General Obligation Bonds, Series B in the amount of \$8,445,000.

REQUIRED SUPPLEMENTARY INFORMATION

BEAR VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variations - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Local Control Funding Formula	\$ 20,569,802	\$ 20,466,945	\$ 20,494,725	\$ 27,780
Federal sources	-	170,050	1,205,231	1,035,181
Other State sources	1,727,066	1,626,021	2,599,435	973,414
Other local sources	323,708	432,557	2,530,139	2,097,582
Total Revenues ¹	<u>22,620,576</u>	<u>22,695,573</u>	<u>26,829,530</u>	<u>4,133,957</u>
EXPENDITURES				
Current				
Certificated salaries	9,340,723	9,646,505	10,981,425	(1,334,920)
Classified salaries	2,937,026	3,054,761	4,171,926	(1,117,165)
Employee benefits	3,661,418	3,932,572	5,286,257	(1,353,685)
Books and supplies	1,268,082	917,944	1,160,930	(242,986)
Services and operating expenditures	1,591,332	1,980,334	2,194,798	(214,464)
Capital outlay	10,339	-	-	-
Other outgo	498,788	455,186	44,553	410,633
Debt service - principal	-	110,000	75,000	35,000
Debt service - interest	-	323,185	73,896	249,289
Total Expenditures ¹	<u>19,307,708</u>	<u>20,420,487</u>	<u>23,988,785</u>	<u>(3,568,298)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,312,868</u>	<u>2,275,086</u>	<u>2,840,745</u>	<u>565,659</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	224,520	224,531	11,106	(213,425)
Transfers out	(230,473)	(166,364)	(1,654,139)	(1,487,775)
Net Financing Sources (Uses)	<u>(5,953)</u>	<u>58,167</u>	<u>(1,643,033)</u>	<u>(1,701,200)</u>
NET CHANGE IN FUND BALANCE	<u>3,306,915</u>	<u>2,333,253</u>	<u>1,197,712</u>	<u>(1,135,541)</u>
Fund Balance - Beginning	<u>1,057,285</u>	<u>1,057,285</u>	<u>1,057,285</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,364,200</u>	<u>\$ 3,390,538</u>	<u>\$ 2,254,997</u>	<u>\$ (1,135,541)</u>

¹ On behalf payments of \$662,282 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
May 12, 2011	\$ -	\$ 2,596,518	\$ 2,596,518	0%	\$ 12,839,445	20%
May 7, 2013	-	2,494,081	2,494,081	0%	11,601,396	21%
January 28, 2015	-	2,143,961	2,143,961	0%	13,849,208	15%

See accompanying note to required supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability	0.0212%	0.0184%
District's proportionate share of the net pension liability	\$ 14,263,881	\$ 10,728,165
State's proportionate share of the net pension liability associated with the District	7,544,020	6,478,129
Total	<u>\$ 21,807,901</u>	<u>\$ 17,206,294</u>
District's covered - employee payroll	<u>\$ 9,622,432</u>	<u>\$ 9,274,933</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	148.24%	115.67%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.0352%	0.0354%
District's proportionate share of the net pension liability	\$ 5,193,617	\$ 4,021,993
District's covered - employee payroll	\$ 3,798,887	\$ 3,719,396
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	136.71%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 1,108,126	\$ 854,472
Contributions in relation to the contractually required contribution	<u>1,108,126</u>	<u>854,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 10,327,363</u>	<u>\$ 9,622,432</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
CalPERS		
Contractually required contribution	\$ 487,340	\$ 447,129
Contributions in relation to the contractually required contribution	<u>487,340</u>	<u>447,129</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 4,112,574</u>	<u>\$ 3,798,887</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

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

See accompanying note to required supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 452,323
Title II, Part A, Improving Teacher Quality	84.367	14341	45,854
Title III, Limited English Proficient Student Program	84.365	14346	45,056
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	2,529
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	411,810
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	4,109
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	7,592
Total Special Education (IDEA) Cluster			<u>423,511</u>
Total U.S. Department of Education			<u>969,273</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	580,220
Especially Needy Breakfast	10.553	13526	197,657
Basic Breakfast	10.553	13525	17,855
Summer Food Service Program for Children	10.559	13004	2,129
Commodities	10.555	13391	80,551
Total Child Nutrition Cluster			<u>878,412</u>
Total U.S. Department of Agriculture			<u>878,412</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medicaid Cluster:			
Medi-Cal Administrative Activities	93.778	10060	236,807
Medi-Cal Billing Option	93.778	10013	38,896
Total Medicaid Cluster			<u>275,703</u>
Total U.S. Department of Health and Human Services			<u>275,703</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,123,388</u></u>

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The Bear Valley Unified School District was established as a unified district in 1958 and is located in the San Bernardino Mountains in San Bernardino County, California. The District operates three elementary schools, one middle school, one high school, and one continuation school in Big Bear Valley as well as one elementary school in Forest Falls. There were no changes in the boundary of the District.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Stephen Foulkes	President	2018
Mr. Paul Zamoyta	Clerk	2016
Mr. John Goepf	Member	2016
Mrs. Catherine Herrick	Member	2016
Mrs. Beverly Grabe	Member	2016

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Dr. Mary Suzuki	Superintendent of Schools
Mrs. Linda Rosado	Executive Director of Business Services

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	*Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	630.84	636.06
Fourth through sixth	495.49	494.44
Seventh and eighth	367.26	363.79
Ninth through twelfth	696.57	691.54
Total Regular ADA	<u>2,190.16</u>	<u>2,185.83</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.99	0.99
Ninth through twelfth	0.98	0.98
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.97</u>	<u>1.97</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.12	0.12
Ninth through twelfth	0.17	0.17
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.29</u>	<u>0.29</u>
Total ADA	<u><u>2,192.42</u></u>	<u><u>2,188.09</u></u>

* District revised the P-2 report on October 17, 2016

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87	2015-16	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	52,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		52,000	180	N/A	Complied
Grade 2		52,000	180	N/A	Complied
Grade 3		52,000	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,700	180	N/A	Complied
Grade 5		54,700	180	N/A	Complied
Grade 6		54,700	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,924	180	N/A	Complied
Grade 8		54,924	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,775	180	N/A	Complied
Grade 10		65,775	180	N/A	Complied
Grade 11		65,775	180	N/A	Complied
Grade 12		65,775	180	N/A	Complied

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2016.

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues	\$ 24,088,526	\$ 26,829,530	\$ 24,324,242	\$ 22,163,485
Other sources and transfers in	224,531	11,106	108,850	2,457,290
Total Revenues and Other Sources	24,313,057	26,840,636	24,433,092	24,620,775
Expenditures	24,271,241	23,988,785	23,358,088	24,355,545
Other uses and transfers out	169,000	1,654,139	1,435,534	1,181,674
Total Expenditures and Other Uses	24,440,241	25,642,924	24,793,622	25,537,219
INCREASE/(DECREASE) IN FUND BALANCE	\$ (127,184)	\$ 1,197,712	\$ (360,530)	\$ (916,444)
ENDING FUND BALANCE	\$ 2,127,813	\$ 2,254,997	\$ 1,057,285	\$ 1,417,815
AVAILABLE RESERVES²	\$ 1,726,882	\$ 1,977,700	\$ 923,677	\$ 752,011
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	7.07%	7.71%	3.80%	3.01%
LONG-TERM OBLIGATIONS	N/A	\$ 26,894,312	\$ 27,998,495	\$ 29,167,964
AVERAGE DAILY ATTENDANCE AT P-2	2,139	2,192	2,296	2,425

The General Fund balance has increased by \$837,182 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$127,184 (six percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have decreased by \$2,273,652 over the past two years.

Average daily attendance has decreased by 233 over the past two years. An additional decline of 53 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$517,967 and \$540,566 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015 and 2014, respectively.

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 316,479	\$ 337,210	\$ 1,189,489	\$ 1,843,178
Receivables	168,293	555	1,917	170,765
Stores inventories	14,862	-	-	14,862
Total Assets	\$ 499,634	\$ 337,765	\$ 1,191,406	\$ 2,028,805
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,116	\$ 25,498	\$ 55,561	\$ 105,175
Due to other funds	102,186	-	-	102,186
Total Liabilities	126,302	25,498	55,561	207,361
Fund Balances:				
Nonspendable	14,862	-	-	14,862
Restricted	358,470	-	-	358,470
Committed	-	312,267	-	312,267
Assigned	-	-	1,135,845	1,135,845
Total Fund Balances	373,332	312,267	1,135,845	1,821,444
Total Liabilities and Fund Balances	\$ 499,634	\$ 337,765	\$ 1,191,406	\$ 2,028,805

See accompanying note to supplementary information

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Revenue limit sources	\$ -	\$ 100,000	\$ -
Federal sources	878,412	-	-
Other State sources	65,599	-	-
Other local sources	112,110	1,351	5,286
Total Revenues	1,056,121	101,351	5,286
EXPENDITURES			
Current			
Food services	1,072,641	-	-
General administration:			
All other general administration	50,770	-	-
Plant services	-	58,332	-
Facility acquisition and construction	-	14,940	55,561
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	1,123,411	73,272	55,561
Excess (Deficiency) of Revenues Over Expenditures	(67,290)	28,079	(50,275)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,649	100,000	-
Transfers out	(11,106)	-	-
Net Financing Sources (Uses)	(457)	100,000	-
NET CHANGE IN FUND BALANCES	(67,747)	128,079	(50,275)
Fund Balances - Beginning	441,079	184,188	1,186,120
Fund Balances - Ending	\$ 373,332	\$ 312,267	\$ 1,135,845

See accompanying note to supplementary information

COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ 100,000
-	878,412
-	65,599
-	118,747
<u>-</u>	<u>1,162,758</u>
-	1,072,641
-	50,770
-	58,332
-	70,501
35,000	35,000
249,288	249,288
<u>284,288</u>	<u>1,536,532</u>
<u>(284,288)</u>	<u>(373,774)</u>
284,288	394,937
-	(11,106)
<u>284,288</u>	<u>383,831</u>
-	10,057
-	1,811,387
<u>\$ -</u>	<u>\$ 1,821,444</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Administrative Activities funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, Medi-Cal Billing Option funds have been recorded in the current period as revenues that have not been expended as of June 30, 2016. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues per the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 2,083,643
Medi-Cal Administrative Activities	93.778	49,929
Medi-Cal Billing Option	93.778	(10,184)
Total per Schedule of Expenditures of Federal Awards		<u>\$ 2,123,388</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Bear Valley Unified School District
Big Bear Lake, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bear Valley Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Bear Valley Unified School District's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavinek, Tine, Day & Co., LLP.

Rancho Cucamonga, California
November 30, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Bear Valley Unified School District
Big Bear Lake, California

Report on Compliance for Each Major Federal Program

We have audited Bear Valley Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bear Valley Unified School District's major Federal programs for the year ended June 30, 2016. Bear Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bear Valley Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Bear Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bear Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Rancho Cucamonga, California
November 30, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Bear Valley Unified School District
Big Bear Lake, California

Report on State Compliance

We have audited Bear Valley Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Bear Valley Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of Bear Valley Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Bear Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bear Valley Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupils Counts

As described in the accompanying schedule of findings and questioned costs, Bear Valley Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupils Counts, finding 2016-001. Compliance with such requirements is necessary, in our opinion, for Bear Valley Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Bear Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Programs

In our opinion, Bear Valley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016, except as described in the schedule of State awards findings and questioned costs section of the accompanying schedule of findings and questioned costs.

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

LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes, see below
California Clean Energy Jobs Act	Yes, see below
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below

CHARTER SCHOOLS	Procedures Performed
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have offer a Middle or Early College High School Program; therefore, we did not perform any procedures related to the Middle or Early College High School Program.

The District did not have any Educator Effectiveness expenditures; therefore, we did not perform any related procedures.

The District did not have any California Clean Energy Jobs Act Program Expenses; therefore, we did not perform any procedures related to the California Clean Energy Jobs Act Program

The District does not offer an After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District did not offer an Independent Study-Course Base Program; therefore, we did not perform any procedures related to the Independent Study-Course Base Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavinek, Time, Day & Co., LLP

Rancho Cucamonga, California
November 30, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all State programs except for the following State program which was qualified:	

<u>Name of State Program</u>
Unduplicated Local Control Funding
<u>Formula Pupils Counts</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

2016-001 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states that the school districts should revise their submitted data on English learner (EL), foster youth, and free or reduced-price meal (FRPM) eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported eligibility for a total of two students for EL students on CALPADS Form 1.18 – FRPM/EL/Foster Youth – Student List.

Questioned Costs

The District over claimed the total eligible pupils by two, resulting in a decrease of approximately \$1,970 in LCFF funding.

Context

The condition identified was determined through a selection of students from Form 1.18 based on the criteria as stated on the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2015-2016* Section 19849(a)(2): "Select a representative sample, to achieve a high level of assurance, from the students that are only EL eligible as identified under the "ELAS" column and verify there is supporting documentation that indicates the student was eligible for the designation."

The auditor selected a sample of five students and obtained student records to support the EL designation. Upon review of student records, we found one student who were noted as reclassified from EL status; however, the student was noted as EL on CALPADS Form 1.18. The auditor inquired further with the District and determined that the CALPADS data was not updated to reflect students' who had been reclassified during the prior year. The auditor requested that the District identify all remaining students who's status should have been changed to reflect the reclassification from EL. The auditor then obtained this list and confirmed that the original exception noted in our testing was in fact reflected on the list as reclassified from EL, yet the change was not made in CALPADS. This list noted a total of two students whose status should have been changed in CALPADS from EL to another designation.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

Effect

The District does not appear to be in compliance with *Education Code* Section 42238.02(b)(4). In addition, the District appears to be over claiming the total EL designated pupils by two for a reduction in funding of approximately \$1,970. The schedule below shows the exceptions by site and District-wide:

School Name	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on Eligibility for EL	Adjusted Total Unduplicated Count	Adjusted Total Enrollment Count
Baldwin Lane Elementary	290	17	-	17	290
Big Bear Elementary	211	102	-	102	211
Fallsvale School	37	1	-	1	37
North Shore Elementary	319	124	-	124	319
Big Bear Middle School	262	63	-	63	262
Chautauqua High School	36	2	-	2	36
Big Bear High School	427	75	(2)	73	427
	<u>1,582</u>	<u>384</u>	<u>(2)</u>	<u>382</u>	<u>1,582</u>

Cause

It appears that the condition identified has materialized as a result of the CALPADS system not being updated properly to reflect the change in designation of EL students.

Recommendation

The District should ensure that students EL designation properly reflect their designation in CALPADS by updating the students who have changed designations before the year.

Corrective Action Plan

The District's Corrective Action Plan includes the following:

- IT Department created an ad-hoc query in Infinite Campus to separate the English Language Learner (ELL) students from the Reclassified Fluent English Proficient (RFEP) students.
- The generated reports are sent to each site to verify accuracy and confirm student names.
- These reports are updated and reviewed quarterly by the sites ELL Coordinators. Additionally, updates are made in real-time throughout the school year. Reporting accountability has been implemented.
- The District created an ELL Coordinator position to review and maintain over-sight of this process.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.