

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2018

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### ***FINANCIAL SECTION***

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds - Statement of Net Position	21
Notes to Financial Statements	22

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	59
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	60
Schedule of the District's Proportionate Share of the Net Pension Liability	61
Schedule of District Contributions	62
Note to Required Supplementary Information	63

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	65
Local Education Agency Organization Structure	66
Schedule of Average Daily Attendance	67
Schedule of Instructional Time	68
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	69
Schedule of Financial Trends and Analysis	70
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
Note to Supplementary Information	73

### ***INDEPENDENT AUDITOR'S REPORTS***

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	76
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	78
Report on State Compliance	80

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

Summary of Auditor's Results	84
Financial Statement Findings	85
Federal Awards Findings and Questioned Costs	86
State Awards Findings and Questioned Costs	87
Summary Schedule of Prior Audit Findings	88

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## 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, 2018, 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, 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.

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

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison schedule on page 59, schedule of changes in the District's total OPEB liability and related ratios on page 60, schedule of the District's proportionate share of the net pension liability on page 61, and the schedule of District contributions on page 62, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vaunier, Tunc, Day & Co. LLP*

Rancho Cucamonga, California  
November 21, 2018

**BOARD OF TRUSTEES**

Dr. Stephen Foulkes  
Mr. John Goepp  
Mrs. Beverly Grabe  
Mrs. Cathy Herrick  
Ms. Sudie Smartt

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](http://www.bearvalleyusd.org)

This section of Bear Valley Unified School District's (the District) 2017-2018 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information from June 30, 2017. 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, 2018

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### 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, 2018

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### 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 \$7.0 million for the fiscal year ended June 30, 2018. Of this amount, (\$22.4) 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	
	2018	(as restated) 2017
<b>Assets</b>		
Current and other assets	\$ 11,944,755	\$ 13,072,234
Capital assets	42,568,004	43,928,849
<b>Total Assets</b>	<b>54,512,759</b>	<b>57,001,083</b>
<b>Deferred Outflows of Resources</b>	<b>9,743,962</b>	<b>6,335,477</b>
<b>Liabilities</b>		
Current liabilities	2,604,180	3,338,963
Long-term obligations	25,672,695	27,095,516
Aggregate net pension liability	27,072,542	22,817,578
<b>Total Liabilities</b>	<b>55,349,417</b>	<b>53,252,057</b>
<b>Deferred Inflows of Resources</b>	<b>1,862,331</b>	<b>1,552,955</b>
<b>Net Position</b>		
Net investment in capital assets	22,370,102	22,054,039
Restricted	7,061,939	6,844,327
Unrestricted	(22,387,068)	(20,366,818)
<b>Total Net Position</b>	<b>\$ 7,044,973</b>	<b>\$ 8,531,548</b>

The (\$22.4) 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, 2018

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### 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	
	2018	2017
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 214,938	\$ 229,259
Operating and capital grants and contributions	4,203,316	3,727,534
General revenues:		
Federal and State aid not restricted	13,730,981	13,276,664
Property taxes	13,915,990	13,489,118
Other general revenues	428,876	858,280
<b>Total Revenues</b>	<b>32,494,101</b>	<b>31,580,855</b>
<b>Expenses</b>		
Instruction-related	21,695,412	21,156,435
Pupil services	3,869,361	3,724,503
Administration	2,676,034	2,456,510
Plant services	4,510,804	2,748,756
All other services	1,229,065	1,276,840
<b>Total Expenses</b>	<b>33,980,676</b>	<b>31,363,044</b>
<b>Changes in Net Position</b>	<b>\$ (1,486,575)</b>	<b>\$ 217,811</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$34.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$13.9 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 (\$4.2 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, 2018**

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, instruction-related activities, pupil services, administration, plant services, and all other services, 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**

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 18,925,183	\$ 16,536,049	\$ 18,513,798	\$ 16,291,202
Instruction-related activities	2,770,229	2,592,058	2,642,637	2,454,912
Pupil services	3,869,361	2,591,814	3,724,503	2,542,109
Administration	2,676,034	2,552,121	2,456,510	2,337,742
Plant services	4,510,804	4,361,241	2,748,756	2,734,167
All other services	1,229,065	929,139	1,276,840	1,046,119
<b>Total</b>	<b>\$ 33,980,676</b>	<b>\$ 29,562,422</b>	<b>\$ 31,363,044</b>	<b>\$ 27,406,251</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$9,595,470, which is a decrease of \$414,413 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2017	Revenues and Other Financing Sources	Expenses and Other Financing Uses	June 30, 2018
General Fund	\$ 1,735,023	\$ 28,821,632	\$ 29,335,519	\$ 1,221,136
Capital Facilities Fund	3,808,735	1,639,983	966,552	4,482,166
Bond Interest and Redemption Fund	2,317,504	2,084,240	2,090,173	2,311,571
Cafeteria Fund	358,579	1,187,194	1,156,664	389,109
Deferred Maintenance Fund	418,138	104,674	336,787	186,025
Special Reserve Fund for Capital Outlay Projects	1,091,722	7,548	93,807	1,005,463
COP Capital Project Fund	280,182	-	280,182	-
COP Debt Service Fund	-	300,288	300,288	-
<b>Total</b>	<b>\$ 10,009,883</b>	<b>\$ 34,145,559</b>	<b>\$ 34,559,972</b>	<b>\$ 9,595,470</b>

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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The two primary funds' decreases are:

Our General Fund is our principal operating fund. The balance in the General Fund decreased \$509,255. This decrease is due to:

1. Proposition 39 (Clean Energy Job Act) spend in the amount of \$456 thousand.
2. Educator Effectiveness Grant in the amount of \$96 thousand.

### General Fund Budgetary Highlights

This year, the District's General Fund decreased approximately \$509 thousand. This decrease includes the Proposition 39 expenditure, as well as, the Educator Effectiveness expenditures for which monies were received in prior years.

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, 2018, the District had \$ 42,568,004 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease of \$1,360,845 from last year.

**Table 5**

	Governmental Activities	
	2018	2017
Land and construction in process	\$ 6,022,389	\$ 6,022,389
Buildings and improvements	35,913,113	37,098,838
Equipment	632,502	807,622
<b>Total</b>	<b>\$ 42,568,004</b>	<b>\$ 43,928,849</b>

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, 2018

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### Long-Term Obligations

At the end of this year, the District had \$13,622,251 in bonds outstanding versus \$15,041,037 last year. At the end of the year, the District had \$25,672,695 in long-term obligations. This consisted of general obligation (G.O.) bonds, premium on bonds, certificates of participation, lease/purchase financing, compensated absences, and total other postemployment benefits (OPEB) liability.

**Table 6**

	Governmental Activities	
	2018	(as restated) 2017
General obligation bonds (Financed with property taxes)	\$ 13,622,251	\$ 15,041,037
Premium on bonds	919,783	1,057,964
Certificate of participation	5,665,000	5,720,000
Lease/purchase financing	1,966,390	2,115,000
Compensated absences and other	98,918	107,385
Total OPEB liability	3,400,353	3,054,130
<b>Total</b>	<b>\$ 25,672,695</b>	<b>\$ 27,095,516</b>

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 \$27,072,542.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

From fiscal year 2016-2017 to fiscal year 2017-2018 our District lost approximately 40 students. This student loss is primarily due to families moving out of the Bear Valley area due to economic reasons.

Our Budget Development plan included continuous declining enrollment for the 2018-2019 school year and our subsequent future years.

The Budget assumptions for fiscal year 2018-2019 and the subsequent two years are conservative based upon the continuous decline in enrollment. Our Budget projections further assume reduction in personnel to offset our declining enrollment.

# **BEAR VALLEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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### **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](mailto:linda_rosado@bearvalleyusd.org).

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 10,426,711
Receivables	1,469,682
Stores inventories	43,130
Prepaid expenses	5,232
<b>Total Current Assets</b>	<u>11,944,755</u>
Capital assets	
Land and construction in process	6,022,389
Other capital assets	69,055,309
Less: Accumulated depreciation	<u>(32,509,694)</u>
Total Capital Assets	<u>42,568,004</u>
<b>Total Assets</b>	<u>54,512,759</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	323,173
Deferred outflows of resources related to pensions	9,420,789
<b>Total Deferred Outflows of Resources</b>	<u>9,743,962</u>
<b>LIABILITIES</b>	
Accounts payable	2,349,285
Accrued interest payable	254,895
Long-term obligations	
Current portion of long-term obligations other than pensions	1,910,000
Noncurrent portion of long-term obligations other than pensions	<u>23,762,695</u>
Total Long-Term Obligations	<u>25,672,695</u>
Aggregate net pension liability	<u>27,072,542</u>
<b>Total Liabilities</b>	<u>55,349,417</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>1,862,331</u>
<b>NET POSITION</b>	
Net investment in capital assets	22,370,102
Restricted for:	
Debt service	2,056,676
Capital projects	4,482,166
Educational programs	146,931
Other activities	376,166
Unrestricted	<u>(22,387,068)</u>
<b>Total Net Position</b>	<u>\$ 7,044,973</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, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 18,925,183	\$ -	\$ 2,389,134	\$ (16,536,049)
Instruction-related activities:				
Supervision of instruction	308,450	-	67,980	(240,470)
Instructional library, media, and technology	137,054	-	18,382	(118,672)
School site administration	2,324,725	-	91,809	(2,232,916)
Pupil services:				
Home-to-school transportation	995,602	-	-	(995,602)
Food services	1,225,069	103,129	1,061,805	(60,135)
All other pupil services	1,648,690	4,168	108,445	(1,536,077)
General administration:				
Data processing	552,883	-	-	(552,883)
All other general administration	2,123,151	5,802	118,111	(1,999,238)
Plant services	4,510,804	2,719	146,844	(4,361,241)
Ancillary services	345,835	-	8,420	(337,415)
Interest on long-term obligations	813,274	-	-	(813,274)
Other outgo	69,956	99,120	192,386	221,550
<b>Total Governmental Activities</b>	<b>\$ 33,980,676</b>	<b>\$ 214,938</b>	<b>\$ 4,203,316</b>	<b>(29,562,422)</b>
<b>Total School District</b>				
		General revenues and subventions:		
				10,364,326
				2,031,142
				1,520,522
				13,730,981
				48,517
				380,359
				<u>28,075,847</u>
				(1,486,575)
				<u>8,531,548</u>
				<u>\$ 7,044,973</u>

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 2,549,046	\$ 3,861,176	\$ 2,311,571
Receivables	1,262,475	17,188	-
Due from other funds	129,328	660,678	-
Prepaid expenditures	5,232	-	-
Stores inventories	30,187	-	-
<b>Total Assets</b>	<u>\$ 3,976,268</u>	<u>\$ 4,539,042</u>	<u>\$ 2,311,571</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,086,690	\$ 49,293	\$ -
Due to other funds	668,442	7,583	-
<b>Total Liabilities</b>	<u>2,755,132</u>	<u>56,876</u>	<u>-</u>
<b>Fund Balances:</b>			
Nonspendable	45,419	-	-
Restricted	146,931	4,482,166	2,311,571
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,028,786	-	-
<b>Total Fund Balances</b>	<u>1,221,136</u>	<u>4,482,166</u>	<u>2,311,571</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,976,268</u>	<u>\$ 4,539,042</u>	<u>\$ 2,311,571</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,704,918	\$ 10,426,711
190,019	1,469,682
7,764	797,770
-	5,232
12,943	43,130
<u>\$ 1,915,644</u>	<u>\$ 12,742,525</u>

\$ 213,302	\$ 2,349,285
121,745	797,770
<u>335,047</u>	<u>3,147,055</u>

12,943	58,362
376,166	7,316,834
186,025	186,025
1,005,463	1,005,463
-	1,028,786
<u>1,580,597</u>	<u>9,595,470</u>
<u>\$ 1,915,644</u>	<u>\$ 12,742,525</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 9,595,470</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 75,077,698	
Accumulated depreciation is	<u>(32,509,694)</u>	
Net Capital Assets		42,568,004
Deferred charges on refunding of debt (the difference between the reacquisition price and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		323,173
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.		(254,895)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	2,312,909	
Net change in proportionate share of net pension liability	1,778,183	
Differences between projected and actual earnings on pension plan investments	269,048	
Differences between expected and actual experience in the measurement of the total pension liability	349,991	
Changes of assumptions	<u>4,710,658</u>	
Total Deferred Outflows of Resources Related to Pensions		9,420,789
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(920,344)	
Differences between projected and actual earnings on pension plan investments	(513,880)	
Differences between expected and actual experience in the measurement of the total pension liability	(336,536)	
Changes of assumptions	<u>(91,571)</u>	
Total Deferred Inflows of Resources Related to Pensions		(1,862,331)

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, 2018

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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (27,072,542)
Long-term obligations at year-end consist of:		
General obligation bonds	\$ 11,969,902	
Premium on bonds	919,783	
Certificates of participation	5,665,000	
Lease/purchase financing	1,966,390	
Total other postemployment benefits (OPEB) liability	3,400,353	
Compensated absences	98,918	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:		
	<u>1,652,349</u>	
Total Long-Term Obligations		<u>\$ (25,672,695)</u>
<b>Total Net Position - Governmental Activities</b>		<u><b>\$ 7,044,973</b></u>

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, 2018

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 22,956,047	\$ -	\$ -
Federal sources	1,230,982	-	-
Other State sources	2,088,989	-	8,196
Other local sources	2,467,614	153,836	2,076,044
<b>Total Revenues</b>	<u>28,743,632</u>	<u>153,836</u>	<u>2,084,240</u>
<b>EXPENDITURES</b>			
Current			
Instruction	16,763,000	-	-
Instruction-related activities:			
Supervision of instruction	308,500	-	-
Instructional library, media, and technology	120,804	-	-
School site administration	2,179,247	-	-
Pupil services:			
Home-to-school transportation	847,602	-	-
Food services	1,184	-	-
All other pupil services	1,432,312	-	-
General administration:			
Data processing	453,648	-	-
All other general administration	1,817,917	23,673	-
Plant services	3,026,172	108,000	-
Ancillary services	337,663	-	-
Other outgo	69,956	-	-
Facility acquisition and construction	2,909	834,879	-
Debt service			
Principal	148,610	-	1,640,000
Interest and other	31,796	-	450,173
<b>Total Expenditures</b>	<u>27,541,320</u>	<u>966,552</u>	<u>2,090,173</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over Expenditures</b>	<u>1,202,312</u>	<u>(812,716)</u>	<u>(5,933)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	78,000	1,486,147	-
Transfers out	(1,794,199)	-	-
<b>Net Financing Sources (Uses)</b>	<u>(1,716,199)</u>	<u>1,486,147</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(513,887)	673,431	(5,933)
<b>Fund Balances - Beginning</b>	1,735,023	3,808,735	2,317,504
<b>Fund Balances - Ending</b>	<u>\$ 1,221,136</u>	<u>\$ 4,482,166</u>	<u>\$ 2,311,571</u>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 100,000	\$ 23,056,047
998,278	2,229,260
75,756	2,172,941
117,618	4,815,112
<u>1,291,652</u>	<u>32,273,360</u>
-	16,763,000
-	308,500
-	120,804
-	2,179,247
-	847,602
1,104,664	1,105,848
-	1,432,312
-	453,648
52,000	1,893,590
336,787	3,470,959
-	337,663
-	69,956
295,989	1,133,777
55,000	1,843,610
245,288	727,257
<u>2,089,728</u>	<u>32,687,773</u>
<u>(798,076)</u>	<u>(414,413)</u>
308,052	1,872,199
<u>(78,000)</u>	<u>(1,872,199)</u>
<u>230,052</u>	<u>-</u>
(568,024)	(414,413)
<u>2,148,621</u>	<u>10,009,883</u>
<u>\$ 1,580,597</u>	<u>\$ 9,595,470</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, 2018**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (414,413)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

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

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

Depreciation expense	\$ (1,904,416)	
Capital outlays	<u>543,571</u>	(1,360,845)

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 less than the amounts used by \$8,467.

8,467

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.

(1,131,154)

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

(346,223)

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	\$ 1,640,000	
Certificate of Participation	55,000	
Lease purchase agreement	<u>148,610</u>	\$ 1,843,610

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	138,181	
Amortization of deferred charge on refunding	<u>(24,701)</u>	
Combined adjustment		113,480

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES, CONTINUED  
JUNE 30, 2018**

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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 \$21,717 and second, \$221,214 of additional accumulated interest was accreted on the District's 'capital appreciation' general obligation bonds.

**Change in Net Position of Governmental Activities**

(199,497)  
\$ (1,486,575)

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 393,959
Receivables	<u>195,259</u>
<b>Total Assets</b>	<b><u>\$ 589,218</u></b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 272,385
Due to student groups	238,093
Due to bargaining units	<u>78,740</u>
<b>Total Liabilities</b>	<b><u>\$ 589,218</u></b>

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

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

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

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

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

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

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Basis of Accounting - Measurement Focus

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

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**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 45 or 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for 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, 2018, 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, 2018

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### Prepaid Expenditures

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

### Stores Inventories

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

### Capital Assets and Depreciation

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

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

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

### Interfund Balances

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

### Compensated Absences

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Debt Issuance Costs, Premiums, and Discounts**

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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.

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and OPEB expense, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

### Fund Balances - Governmental Funds

As of June 30, 2018, 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.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Minimum Fund Balance Policy

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

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$7,061,939 of restricted net position.

### Interfund Activity

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

### Estimates

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

### 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, 2018

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### Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 District has implemented the provisions of this Statement as of June 30, 2018.

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

### **New Accounting Pronouncements**

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

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 10,426,711
Fiduciary funds	<u>393,959</u>
Total Deposits and Investments	<u><u>\$ 10,820,670</u></u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 238,293
Cash in revolving	10,000
Investments	<u>10,572,377</u>
Total Deposits and Investments	<u><u>\$ 10,820,670</u></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.

**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.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### 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 \$10,572,377 with the San Bernardino County Investment Pool that has an average weighted maturity of 353 days.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The San Bernardino County Investment Pool has been rated by Fitch Ratings as AA Af/S1.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### 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, 2018, the District did not have uninsured deposits.

### NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
San Bernardino County Investment Pool	<u>\$ 10,513,138</u>	<u>\$ 10,513,138</u>

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Federal Government					
Categorical aid	\$ 427,454	\$ -	\$ 157,472	\$ 584,926	\$ -
State Government					
Categorical aid	167,214	-	12,596	179,810	-
Lottery	102,648	-	-	102,648	-
Local Government					
Interest	11,869	11,992	5,779	29,640	-
Developer fees	-	5,196	-	5,196	-
Other Local Sources					
Other local	553,290	-	14,172	567,462	195,259
Total	<u>\$ 1,262,475</u>	<u>\$ 17,188</u>	<u>\$ 190,019</u>	<u>\$ 1,469,682</u>	<u>\$ 195,259</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 686,793	\$ -	\$ -	\$ 686,793
Construction in process	5,335,596	-	-	5,335,596
	6,022,389	-	-	6,022,389
Total Capital Assets Not Being Depreciated				
Capital Assets Being Depreciated				
Site improvements	10,630,248	433,035	-	11,063,283
Buildings and improvements	52,327,527	36,950	-	52,364,477
Furniture and equipment	5,553,963	73,586	-	5,627,549
	68,511,738	543,571	-	69,055,309
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation				
Site improvements	5,407,509	249,484	-	5,656,993
Buildings and improvements	20,451,428	1,406,226	-	21,857,654
Furniture and equipment	4,746,341	248,706	-	4,995,047
	30,605,278	1,904,416	-	32,509,694
Total Accumulated Depreciation				
Governmental Activities Capital Assets, Net	\$ 43,928,849	\$ (1,360,845)	\$ -	\$ 42,568,004

Depreciation expense was charged to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	\$ 1,224,776
Home-to-school transportation	64,402
Food services	79,558
All other pupil services	106,752
Data processing	137,585
All other general administration	35,741
Plant services	255,602
Total Depreciation Expenses Governmental Activities	<u>\$ 1,904,416</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2018, between major funds and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 7,583	\$ 121,745	\$ 129,328
Capital Facilities Fund	660,678	-	-	660,678
Non-Major Governmental	7,764	-	-	7,764
Total	<u>\$ 668,442</u>	<u>\$ 7,583</u>	<u>\$ 121,745</u>	<u>\$ 797,770</u>

The General Fund owes the Capital Facilities Fund \$660,678 for Redevelopment Agency funds.

The General Fund owes the Cafeteria Non-Major Governmental Fund \$7,764 for bad debt of uncollectable accounts receivable.

The Capital Facilities Fund owes the General Fund \$7,583 for developer fees administration related costs and sales tax.

The Cafeteria Non-Major Governmental Fund owes the General Fund \$121,745 for payroll and indirect related costs.

**Operating Transfers**

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 78,000	\$ 78,000
Capital Facilities Fund	1,486,147	-	1,486,147
Non-Major Governmental Funds	308,052	-	308,052
Total	<u>\$ 1,794,199</u>	<u>\$ 78,000</u>	<u>\$ 1,872,199</u>

The General Fund transferred to the Capital Facilities Fund for RDA monies received. \$ 1,486,147

The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the bad debt of uncollectable accounts receivable. 7,764

The General Fund transferred to the COP Debt Service Non-Major Governmental Fund monies for debt service interest payments. 300,288

The Special Reserve for Capital Outlay Projects Non-Major Governmental Fund transferred to the General Fund for the Technology Sustainability Program. 78,000

\$ 1,872,199

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	\$ 1,219,849	\$ -	\$ 1,077	\$ 1,220,926	\$ -
Federal categorical aid	-	-	44,899	44,899	-
LCFF principal apportionment	457,284	-	-	457,284	-
Vendor payables	409,557	49,293	167,326	626,176	272,385
Construction	-	-	-	-	-
Total	<u>\$ 2,086,690</u>	<u>\$ 49,293</u>	<u>\$ 213,302</u>	<u>\$ 2,349,285</u>	<u>\$ 272,385</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	(as restated)				
	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 15,041,037	\$ 221,214	\$ 1,640,000	\$ 13,622,251	\$ 1,705,000
Premium on bonds	1,057,964	-	138,181	919,783	-
Certificate of Participation	5,720,000	-	55,000	5,665,000	80,000
Lease/Purchase financing	2,115,000	-	148,610	1,966,390	125,000
Compensated absences	107,385	-	8,467	98,918	-
Total OPEB liability	<u>3,054,130</u>	<u>452,389</u>	<u>106,166</u>	<u>3,400,353</u>	<u>-</u>
Total	<u>\$ 27,095,516</u>	<u>\$ 673,603</u>	<u>\$ 2,096,424</u>	<u>\$ 25,672,695</u>	<u>\$ 1,910,000</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 total other postemployment benefits (OPEB) liability is 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, 2018**

**Bonded Debt**

**General Obligation Bonds**

General Obligation Bonds	Original Issue	Bonds Outstanding July 1, 2017	Accreted Interest/ Additions	Redeemed	Bonds Outstanding June 30, 2018	Due in One Year
2006 Refunding	\$ 10,629,898	\$ 6,321,037	\$ 221,214	\$1,275,000	\$ 5,267,251	\$ 1,385,000
2002 Series B	10,000,000	275,000	-	275,000	-	-
2016 Refunding	8,445,000	8,445,000	-	90,000	8,355,000	320,000
	<u>\$ 29,074,898</u>	<u>\$ 15,041,037</u>	<u>\$ 221,214</u>	<u>\$ 1,640,000</u>	<u>\$ 13,622,251</u>	<u>\$ 1,705,000</u>

**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, 2018, the principal balance of the 2006 General Obligation Refunding Bonds outstanding (including accretion to date) was \$5,267,251. Unamortized premium received on the issuance of the bonds amounted to \$324,348 as of June 30, 2018. The maturities are summarized as follows:

Fiscal Year	Principal Including Accretion to Date	Accreted Interest	Current Interest to Maturity	Total
2019	\$ 1,385,000	\$ -	\$ 119,762	\$ 1,504,762
2020	1,485,000	-	40,838	1,525,838
2021	1,267,807	347,193	-	1,615,000
2022	1,129,444	455,556	-	1,585,000
Total	<u>\$ 5,267,251</u>	<u>\$ 802,749</u>	<u>\$ 160,600</u>	<u>\$ 6,230,600</u>

**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. During the year ended June 30, 2018, the bonds were paid in full.

**2016 General Obligation Refunding Bonds**

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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At June 30, 2018, the principal balance of the 2016 General Obligation Refunding Bonds outstanding was \$8,355,000. Unamortized premium received on issuance of the bonds amounted to \$595,435 as of June 30, 2018.

The maturities are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2019	\$ 320,000	\$ 249,700	\$ 569,700
2020	365,000	236,000	601,000
2021	350,000	221,700	571,700
2022	415,000	206,400	621,400
2023	525,000	187,600	712,600
2024-2028	3,185,000	588,100	3,773,100
2029-2032	3,195,000	130,750	3,325,750
Total	<u>\$ 8,355,000</u>	<u>\$ 1,820,250</u>	<u>\$ 10,175,250</u>

### Certificates of Participation

In November 2013, the District issued Certificates of Participation in the amount of \$5,810,000 through a facilities lease with the Public Property Financing Corporation of California, a California nonprofit public benefit corporation. The certificate matures through October 1, 2038 yielding a four percent interest rate through 2033 and 4.75 percent through 2038. Proceeds from the issuance were used to purchase the "Districts 2013" project for the capital lease equipment. As of June 30, 2018, \$5,665,000 was outstanding.

The certificate of participation matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2019	\$ 80,000	\$ 242,587	\$ 322,587
2020	85,000	239,288	324,288
2021	105,000	235,488	340,488
2022	110,000	231,188	341,188
2023	135,000	226,288	361,288
2024-2028	925,000	1,033,037	1,958,037
2029-2033	1,505,000	792,437	2,297,437
2034-2038	2,150,000	410,893	2,560,893
2039	570,000	13,538	583,538
Total	<u>\$ 5,665,000</u>	<u>\$ 3,424,744</u>	<u>\$ 9,089,744</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**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. Effective October 3, 2017, there was an amendment to the lease payment schedule. The District's liability on this lease agreement with the option to purchase is summarized below:

Fiscal Year	Principal	Current Interest to Maturity	Total
2019	\$ 125,000	\$ 95,904	\$ 220,904
2020	135,000	59,551	194,551
2021	145,000	55,185	200,185
2022	155,000	50,495	205,495
2023	170,000	45,483	215,483
2024-2028	1,040,000	137,022	1,177,022
2029	196,390	6,351	202,741
Total	<u>\$ 1,966,390</u>	<u>\$ 449,991</u>	<u>\$ 2,416,381</u>

**Compensated Absences**

At June 30, 2018, the accumulated unpaid employee vacation amounted to \$98,918.

**Total Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2018, the District reported total OPEB liability and OPEB expense of \$3,400,353 and \$346,223, respectively.

The details of the plan are as follows:

**District Plan**

**Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	9
Active employees	193
	<u>202</u>

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Benefits Provided*

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

### *Contributions*

The contribution requirements of the Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District's governing board. For fiscal year 2017-2018, the District contributed \$106,166 to the Plan, all of which was used for current premiums.

### **Total OPEB Liability of the District**

The District's total OPEB liability of \$3,400,353 was measured as of June 30, 2018, as determined by an actuarial valuation as of that date.

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.80 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 3,054,130
Service cost	332,220
Interest	120,169
Benefit payments	(106,166)
Net change in total OPEB liability	<u>346,223</u>
Balance at June 30, 2018	<u>\$ 3,400,353</u>

**Changes in Benefit Terms:** No changes to benefits noted from previous valuation.

**Changes of Assumptions:** Changes of assumptions include a change in discount rate utilized in 2017 from 4.5 percent to 3.8 percent in 2018.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	\$ 3,591,188
Current discount rate (3.8%)	3,400,353
1% increase (4.8%)	3,222,600

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	\$ 3,269,619
Current healthcare cost trend rate (4.0%)	3,400,353
1% increase (5.0%)	3,509,480

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventories	30,187	-	-	12,943	43,130
Prepaid expenditures	5,232	-	-	-	5,232
Total Nonspendable	<u>45,419</u>	<u>-</u>	<u>-</u>	<u>12,943</u>	<u>58,362</u>
<b>Restricted</b>					
Legally restricted programs	146,931	-	-	-	146,931
Cafeteria program	-	-	-	376,166	376,166
Capital projects	-	4,482,166	-	-	4,482,166
Debt services	-	-	2,311,571	-	2,311,571
Total Restricted	<u>146,931</u>	<u>4,482,166</u>	<u>2,311,571</u>	<u>376,166</u>	<u>7,316,834</u>
<b>Committed</b>					
Deferred maintenance program	-	-	-	186,025	186,025
<b>Assigned</b>					
Capital Projects	-	-	-	1,005,463	1,005,463
<b>Unassigned</b>					
Reserve for economic uncertainties	1,028,786	-	-	-	1,028,786
Total	<u>\$ 1,221,136</u>	<u>\$ 4,482,166</u>	<u>\$ 2,311,571</u>	<u>\$ 1,580,597</u>	<u>\$ 9,595,470</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**NOTE 10 - RISK MANAGEMENT**

The District's risk management activities are recorded in the General Fund. The District participates in the California Schools Risk Management (CSRМ) 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 13 for additional information regarding the JPAs.

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, 2018:

<u>Insurance Program Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
<u>Workers' Compensation Program</u>		
California School Risk Management	Workers' Compensation Excess	\$ 25,000 Statutory
<u>Property and Liability Program</u>		
California School Risk Management	Property	\$ 75,000
	Excess Property	600,000,000
	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 11 - 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).

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

For the fiscal year ended June 30, 2018, 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	\$ 19,295,036	\$ 7,078,590	\$ 1,505,576	\$ 2,162,707
CalPERS	7,777,506	2,342,199	356,755	1,281,356
Total	\$ 27,072,542	\$ 9,420,789	\$ 1,862,331	\$ 3,444,063

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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2018

The STRP provisions and benefits in effect at June 30, 2018, 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	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

### 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, 2018, are presented above, and the District's total contributions were \$1,654,421.

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

At June 30, 2018, 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	\$ 19,295,036
State's proportionate share of net pension liability associated with the District	11,414,781
Total	<u>\$ 30,709,817</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0209 percent and 0.0199 percent, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$2,162,707. In addition, the District recognized pension expense and revenue of \$1,149,007 for support provided by the State. At June 30, 2018, 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	\$ 1,654,421	\$ -
Net change in proportionate share of net pension liability	1,778,183	655,160
Differences between projected and actual earnings on the pension plan investments	-	513,880
Differences between expected and actual experience in the measurement of the total pension liability	71,355	336,536
Changes of assumptions	3,574,631	-
Total	<u>\$ 7,078,590</u>	<u>\$ 1,505,576</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
2019	\$ (427,208)
2020	323,270
2021	46,614
2022	(456,556)
Total	<u>\$ (513,880)</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 795,953
2020	795,953
2021	795,953
2022	795,953
2023	540,809
Thereafter	707,852
Total	<u>\$ 4,432,473</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, 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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	\$ 28,331,239
Current discount rate (7.10%)	19,295,036
1% increase (8.10%)	11,961,546

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under 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, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2018, 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	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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, 2018, are presented above, and the total District contributions were \$658,488.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$7,777,506. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.0326 percent and 0.0338 percent, respectively, resulting in a net decrease in the proportionate share of 0.0012 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,281,356. At June 30, 2018, 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	\$ 658,488	\$ -
Net change in proportionate share of net pension liability	-	265,184
Differences between projected and actual earnings on the pension plan investments	269,048	-
Differences between expected and actual experience in the measurement of the total pension liability	278,636	-
Changes of assumptions	1,136,027	91,571
Total	<u>\$ 2,342,199</u>	<u>\$ 356,755</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.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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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
2019	\$ (7,290)
2020	310,423
2021	113,246
2022	(147,331)
Total	<u>\$ 269,048</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 348,875
2020	364,201
2021	344,832
Total	<u>\$ 1,057,908</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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 11,443,204
Current discount rate (7.15%)	7,777,506
1% increase (8.15%)	4,736,503

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$928,266 (9.328 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.

### NOTE 12 - 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, 2018.

#### 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, 2018.

### NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of Schools' Excess Liability Fund (SELF) and California Schools Risk Management (CSRSM) public entity risk pools. The District pays annual premiums for its workers' compensation, property and liability coverage, and excess 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, 2018, the District made payments totaling \$793,078 to CSRSM.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### NOTE 14 - SUBSEQUENT EVENTS

On August 1, 2018, the District received \$3,362,918 of Temporary Transfer of Funds (TTFs), to supplement cash flow for the 2018-2019 fiscal year. The repayment of the TTFs will be processed 50 percent on December 28, 2018 and the remaining 50 percent on April 26, 2019. Repayment of the TTFs is made from the District's local property tax revenues.

### NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<u>Government-Wide Financial Statements</u>	
Net Position - Beginning	\$ 9,671,337
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(1,139,789)</u>
Net Position - Beginning, as restated	<u>\$ 8,531,548</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 22,954,590	\$ 23,001,300	\$ 22,956,047	\$ (45,253)
Federal sources	984,172	1,217,497	1,230,982	13,485
Other State sources	1,335,779	1,992,829	2,088,989	96,160
Other local sources	634,271	2,404,326	2,467,614	63,288
<b>Total Revenues <sup>1</sup></b>	<b>25,908,812</b>	<b>28,615,952</b>	<b>28,743,632</b>	<b>127,680</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	11,699,180	12,123,824	12,123,784	40
Classified salaries	4,138,692	4,348,784	4,348,500	284
Employee benefits	5,938,537	6,728,538	6,493,687	234,851
Books and supplies	1,402,829	1,257,623	1,188,241	69,382
Services and operating expenditures	3,199,330	3,314,734	3,182,818	131,916
Debt service - principal	170,000	147,984	148,610	(626)
Debt service - interest	313,687	277,084	31,796	245,288
Other outgo	49,914	15,736	17,956	(2,220)
Capital outlay	23,000	5,940	5,928	12
<b>Total Expenditures <sup>1</sup></b>	<b>26,935,169</b>	<b>28,220,247</b>	<b>27,541,320</b>	<b>678,927</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,026,357)</b>	<b>395,705</b>	<b>1,202,312</b>	<b>806,607</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	545,300	585,272	78,000	(507,272)
Transfers out	(157,701)	(1,922,242)	(1,794,199)	128,043
<b>Net Financing Sources (Uses)</b>	<b>387,599</b>	<b>(1,336,970)</b>	<b>(1,716,199)</b>	<b>(379,229)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(638,758)</b>	<b>(941,265)</b>	<b>(513,887)</b>	<b>427,378</b>
<b>Fund Balance - Beginning</b>	<b>1,735,023</b>	<b>1,735,023</b>	<b>1,735,023</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,096,265</b>	<b>\$ 793,758</b>	<b>\$ 1,221,136</b>	<b>\$ 427,378</b>

See accompanying note to required supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 332,220
Interest	120,169
Benefit payments	<u>(106,166)</u>
<b>Net change in total OPEB liability</b>	346,223
<b>Total OPEB liability - beginning</b>	<u>3,054,130</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 3,400,353</u></u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>

<sup>1</sup> The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

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, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0209%</u>	<u>0.0199%</u>
District's proportionate share of the net pension liability	\$ 19,295,036	\$ 16,132,824
State's proportionate share of the net pension liability associated with the District	<u>11,414,781</u>	<u>9,184,129</u>
Total	<u>\$ 30,709,817</u>	<u>\$ 25,316,953</u>
District's covered-employee payroll	<u>\$ 10,691,208</u>	<u>\$ 10,327,363</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>180.48%</u>	<u>156.21%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.0326%</u>	<u>0.0338%</u>
District's proportionate share of the net pension liability	<u>\$ 7,777,506</u>	<u>\$ 6,684,754</u>
District's covered-employee payroll	<u>\$ 4,061,161</u>	<u>\$ 4,113,615</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>191.51%</u>	<u>162.50%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0212%</u>	<u>0.0184%</u>
\$ 14,263,881	\$ 10,728,165
<u>7,544,020</u>	<u>6,478,129</u>
<u>\$ 21,807,901</u>	<u>\$ 17,206,294</u>
<u>\$ 9,622,432</u>	<u>\$ 9,274,933</u>
<u>148.24%</u>	<u>115.67%</u>
<u>74%</u>	<u>77%</u>
<u>0.0352%</u>	<u>0.0354%</u>
<u>\$ 5,193,617</u>	<u>\$ 4,021,993</u>
<u>\$ 3,798,564</u>	<u>\$ 3,719,396</u>
<u>136.73%</u>	<u>108.14%</u>
<u>79%</u>	<u>83%</u>

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2018

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	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 1,654,421	\$ 1,344,954
Contributions in relation to the contractually required contribution	<u>1,654,421</u>	<u>1,344,954</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 <u>\$ 11,465,149</u>	 <u>\$ 10,691,208</u>
 Contributions as a percentage of covered-employee payroll	 <u>14.43%</u>	 <u>12.58%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 658,488	\$ 564,014
Contributions in relation to the contractually required contribution	<u>658,488</u>	<u>564,014</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 <u>\$ 4,239,830</u>	 <u>\$ 4,061,161</u>
 Contributions as a percentage of covered-employee payroll	 <u>15.531%</u>	 <u>13.888%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
\$ 1,108,126	\$ 854,472
<u>1,108,126</u>	<u>854,472</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 10,327,363</u>	<u>\$ 9,622,432</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 487,340	\$ 447,129
<u>487,340</u>	<u>447,129</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 4,113,615</u>	<u>\$ 3,798,564</u>
<u>11.847%</u>	<u>11.771%</u>

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

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 Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. 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.

*Changes of Assumptions* - Changes of assumptions include a change in discount rate utilized in 2017 from 4.5 percent to 3.8 percent in 2018.

#### **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 position 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.

*Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

#### **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.

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*SUPPLEMENTARY INFORMATION*

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**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 487,685
Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	378
Title II, Part A, Supporting Effective Instruction	84.367	14341	72,635
Title III, English Learner Student Program	84.365	14346	20,584
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	412,946
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	5,986
Preschool Grants, Part B, Sec 619	84.173	13430	18,361
Total Special Education (IDEA) Cluster			<u>437,293</u>
Total U.S. Department of Education			<u>1,018,575</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	660,388
Especially Needy Breakfast Program	10.553	13526	230,535
Basic Breakfast Program	10.553	13525	425
Meal Supplements	10.555	13396	11,190
Commodities	10.555	13391	85,469
Total Child Nutrition Cluster			<u>988,007</u>
National School Lunch Program Equipment Assistance Grants	10.579	14906	10,271
Total U.S. Department of Agriculture			<u>998,278</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Care Services:			
Medicaid Cluster:			
Medi-Cal Administrative Activities	93.778	10060	42,394
Medi-Cal Billing Option	93.778	10013	134,058
Total Medicaid Cluster			<u>176,452</u>
Total U.S. Department of Health and Human Services			<u>176,452</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$ 2,193,305</u></u></b>

See accompanying note to supplementary information.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### 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 four elementary schools, one middle school, one high school, and one continuation high 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>
Mr. John Goepf	President	2020
Mrs. Catherine Herrick	Vice President	2018
Ms. Sudie Smartt	Clerk	2018
Dr. Stephen Foulkes	Member	2018
Mrs. Beverly Grabe	Member	2020

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Dr. Mary Suzuki	Superintendent of Schools
Mrs. Linda Rosado	Executive Director of Business Services/ Classified Personnel
Dr. Lisa Waner	Executive Director of 6-12 Curriculum and Instruction/Certificated Personnel
Ms. Lucinda Newton	Executive Director of TK-5 Curriculum and Instruction/Student Services

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	*Second Period Report	**Annual Report
Regular ADA		
Transitional kindergarten through third	700.84	703.40
Fourth through sixth	559.81	560.13
Seventh and eighth	350.45	349.34
Ninth through twelfth	716.69	713.25
Total Regular ADA	<u>2,327.79</u>	<u>2,326.12</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	3.54	2.00
Ninth through twelfth	0.02	1.37
Total Special Education, Nonpublic, Nonsectarian Schools	<u>3.56</u>	<u>3.37</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.26	0.30
Ninth through twelfth	-	0.30
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.26</u>	<u>0.60</u>
Total ADA	<u>2,331.61</u>	<u>2,330.09</u>

\* District revised the P-2 report on July 16, 2018

\*\* District revised the Annual report on August 21, 2018

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	51,200	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,200	180	N/A	Complied
Grade 2		51,200	180	N/A	Complied
Grade 3		51,200	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,040	180	N/A	Complied
Grade 5		54,040	180	N/A	Complied
Grade 6		54,040	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		56,974	180	N/A	Complied
Grade 8		56,974	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,756	180	N/A	Complied
Grade 10		65,756	180	N/A	Complied
Grade 11		65,756	180	N/A	Complied
Grade 12		65,756	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, 2018

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>	<u>Cafeteria Fund</u>
FUND BALANCE		
Balance, June 30, 2018, Unaudited Actuals	\$ 1,089,857	\$ 397,087
Increase in:		
Accounts receivable	65,326	-
Decrease in:		
Accounts payable	65,953	-
Accounts receivable	-	(7,978)
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 1,221,136</u>	<u>\$ 389,109</u>

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget) 2019 <sup>1</sup>	2018	(as restated)	
			2017	2016
<b>GENERAL FUND</b>				
Revenues	\$ 28,180,974	\$ 28,743,632	\$ 28,104,075	\$ 26,829,530
Other sources and transfers in	249,000	78,000	1,450	11,106
Total Revenues and Other Sources	<u>28,429,974</u>	<u>28,821,632</u>	<u>28,105,525</u>	<u>26,840,636</u>
Expenditures	27,735,653	27,541,320	26,827,375	23,988,785
Other uses and transfers out	326,001	1,794,199	1,798,124	1,654,139
Total Expenditures and Other Uses	<u>28,061,654</u>	<u>29,335,519</u>	<u>28,625,499</u>	<u>25,642,924</u>
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	<u>\$ 368,320</u>	<u>\$ (513,887)</u>	<u>\$ (519,974)</u>	<u>\$ 1,197,712</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,589,456</u>	<u>\$ 1,221,136</u>	<u>\$ 1,735,023</u>	<u>\$ 2,254,997</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 1,122,867</u>	<u>\$ 1,028,786</u>	<u>\$ 1,062,823</u>	<u>\$ 1,977,700</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO</b>	<u>4.00%</u>	<u>3.51%</u>	<u>3.71%</u>	<u>7.71%</u>
<b>LONG-TERM OBLIGATIONS<sup>3</sup></b>	<u>N/A</u>	<u>\$ 25,672,695</u>	<u>\$ 27,095,516</u>	<u>\$ 26,894,312</u>
<b>AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>2,305</u>	<u>2,332</u>	<u>2,367</u>	<u>2,192</u>

The General Fund balance has decreased by \$1,033,861 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$368,320 (30 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 but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have decreased by \$1,221,617 over the past two years.

Average daily attendance has increased by 140 over the past two years. A decline of 27 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Deposits and investments	\$ 370,764	\$ 331,749	\$ 1,002,405	\$ 1,704,918
Receivables	185,512	1,449	3,058	190,019
Due from other funds	7,764	-	-	7,764
Stores inventories	12,943	-	-	12,943
<b>Total Assets</b>	<b>\$ 576,983</b>	<b>\$ 333,198</b>	<b>\$ 1,005,463</b>	<b>\$ 1,915,644</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 66,129	\$ 147,173	\$ -	\$ 213,302
Due to other funds	121,745	-	-	121,745
<b>Total Liabilities</b>	<b>187,874</b>	<b>147,173</b>	<b>-</b>	<b>335,047</b>
<b>Fund Balances:</b>				
Nonspendable	12,943	-	-	12,943
Restricted	376,166	-	-	376,166
Committed	-	186,025	-	186,025
Assigned	-	-	1,005,463	1,005,463
<b>Total Fund Balances</b>	<b>389,109</b>	<b>186,025</b>	<b>1,005,463</b>	<b>1,580,597</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 576,983</b>	<b>\$ 333,198</b>	<b>\$ 1,005,463</b>	<b>\$ 1,915,644</b>

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, 2018**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>
<b>REVENUES</b>			
Revenue limit sources	\$ -	\$ 100,000	\$ -
Federal sources	998,278	-	-
Other State sources	75,756	-	-
Other local sources	105,396	4,674	7,548
<b>Total Revenues</b>	<b>1,179,430</b>	<b>104,674</b>	<b>7,548</b>
<b>EXPENDITURES</b>			
Current			
Food services	1,104,664	-	-
General administration:			
All other general administration	52,000	-	-
Plant services	-	336,787	-
Facility acquisition and construction	-	-	15,807
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>1,156,664</b>	<b>336,787</b>	<b>15,807</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>22,766</b>	<b>(232,113)</b>	<b>(8,259)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	7,764	-	-
Transfers out	-	-	(78,000)
<b>Net Financing Sources (Uses)</b>	<b>7,764</b>	<b>-</b>	<b>(78,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>30,530</b>	<b>(232,113)</b>	<b>(86,259)</b>
<b>Fund Balances - Beginning</b>	<b>358,579</b>	<b>418,138</b>	<b>1,091,722</b>
<b>Fund Balances - Ending</b>	<b>\$ 389,109</b>	<b>\$ 186,025</b>	<b>\$ 1,005,463</b>

See accompanying note to supplementary information

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<b>COP Capital Projects Fund</b>	<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 100,000
-	-	998,278
-	-	75,756
-	-	117,618
-	-	1,291,652
-	-	1,104,664
-	-	52,000
-	-	336,787
280,182	-	295,989
-	55,000	55,000
-	245,288	245,288
280,182	300,288	2,089,728
(280,182)	(300,288)	(798,076)
-	300,288	308,052
-	-	(78,000)
-	300,288	230,052
(280,182)	-	(568,024)
280,182	-	2,148,621
\$ -	\$ -	\$ 1,580,597

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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 have been recorded in the current period as revenues, but have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund. In addition, Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues per the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 2,229,260
Medi-Cal Administrative Activities	93.778	(44,760)
Medi-Cal Billing Option	93.778	8,805
Total per Schedule of Expenditures of Federal Awards		<u>\$ 2,193,305</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, 2018

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### **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.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2018.

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

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Vavinec, Tunc, Day & Co. LLP

Rancho Cucamonga, California  
November 21, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT 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 the District's major Federal programs for the year ended June 30, 2018. The 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 the 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 the 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 the District's compliance.

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

In our opinion, the 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, 2018.





## 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 *2017-2018 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 District's State government programs as noted below for the year ended June 30, 2018.

### ***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 the 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 *2017-2018 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 the 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### ***Unmodified Opinion on Each of the Programs***

In our opinion, the 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, 2018.

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
Apprenticeship: Related and Supplemental Instruction	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before 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
<b>CHARTER SCHOOLS</b>	
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.



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

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**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 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>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.027, 84.027A, 84.173</u>	<u>Low-Income and Neglected Special Education (IDEA) 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>Unmodified</u>
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**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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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*

### *Unduplicated Local Control Funding Formula Pupil Counts*

**2017-001      40000**

#### **Criteria or Specific Requirements**

*California Education Code* Section 42238.02(b)(4) states that school districts should revise their submitted data on English learner, 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.

#### **Condition**

The District incorrectly reported a total of 22 students as having the designation of free or reduced on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. As a result, the District's total unduplicated pupil count reported on the certified CALPADS report was overstated by 22.

#### **Questioned Costs**

While there were no direct questioned costs associated with the condition identified, the condition resulted in a decrease in the District's Local Control Funding Formula of approximately \$22,130.

#### **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 2016-2017* Section 19849(a)(2): "Select a representative sample, to achieve a high level of assurance, from the students that are only Free and Reduced eligible as identified under the "Free and Reduced" column and verify there is supporting documentation that indicates the student was eligible for the designation."

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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The initial sample was selected from four school sites, which resulted in exceptions noted for one of these sites. Specifically, the District did not have the proper supporting documentation for two of the 73 students selected who had a status designation of Free or Reduced on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. Upon additional inquiry and examination of supporting documentation, it appears that the District did not properly update the eligibility information for students identified as having a Free or Reduced Status as reported on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. Specifically, the manner/method in which the eligibility information was extracted from the Child Nutrition Services Department Meal Plus System was not the most current information being extracted for the purpose of CALPADS reporting. A total population of 780 students was identified as having a Free or Reduced Status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report. Based on the calculated error rate, 22 students are at risk of being incorrectly designated as having Free or Reduced Status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report.

**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 overstating the total FRPM designated pupils by 22 students. This results in an over-claiming of LCFF of approximately \$22,130. The following schedule identifies the exceptions District-wide:

<u>School Name</u>	<u>Enrollment Count</u>	<u>Certified Total Unduplicated Count</u>	<u>Adjustment Based on Eligibility for FRPM</u>	<u>Adjusted Total Unduplicated Count</u>	<u>Adjusted Total Enrollment Count</u>
District-wide	2,520	1,716	(22)	1,694	2,520

**Cause**

The primary cause appears to originate from the manner in which the District was updating students' eligibility information from the District's Meal Plus program.

**Recommendation**

The District should emphasize the importance of completing the Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measures are taking place to ensure that CALPADS information is being updated.

**Current Status**

Implemented.