

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2015**

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bear Valley Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Notes 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12 and budgetary comparison, other postemployment benefits (OPEB) funding progress, District's proportionate share of the net pension liability, and District contributions information on pages 57 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the Bear Valley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bear Valley Unified School District's internal control over financial reporting and compliance.

Vavrieh, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2015

**BOARD OF TRUSTEES**

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

Mr. Ron Peavy, Interim  
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) 2014-2015 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015, with comparative information from June 30, 2014. 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, 2015

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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, 2015

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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 \$7.4 million for the fiscal year ended June 30, 2015. Of this amount, (\$18.2) million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2015	2014 as restated
<b>Assets</b>		
Current and other assets	\$ 14,966,885	\$ 18,162,446
Capital assets	40,704,241	42,737,314
<b>Total Assets</b>	<b>55,671,126</b>	<b>60,899,760</b>
<b>Deferred Outflows of Resources</b>	<b>1,301,601</b>	<b>1,100,137</b>
<b>Liabilities</b>		
Current liabilities	2,783,782	5,680,697
Long-term obligations	27,998,495	29,167,964
Aggregate net pension liability	14,750,158	18,587,523
<b>Total Liabilities</b>	<b>45,532,435</b>	<b>53,436,184</b>
<b>Deferred Outflows of Resources</b>	<b>4,023,792</b>	<b>-</b>
<b>Net Position</b>		
Net investment in capital assets	20,089,860	21,836,491
Restricted	5,573,371	5,238,192
Unrestricted	(18,246,731)	(18,510,970)
<b>Total Net Position</b>	<b>\$ 7,416,500</b>	<b>\$ 8,563,713</b>

The (\$18.2) 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, 2015

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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	
	2015	2014
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 535,642	\$ 408,486
Operating and capital grants and contributions	3,898,920	3,830,857
General revenues:		
Federal and State aid not restricted	13,023,088	7,802,553
Property taxes	10,125,466	12,860,434
Other general revenues	429,224	980,516
<b>Total Revenues</b>	<b>28,012,340</b>	<b>25,882,846</b>
<b>Expenses</b>		
Instruction-related	18,033,828	17,095,869
Pupil services	3,151,504	2,872,287
Administration	2,169,860	2,439,137
Plant services	3,163,015	5,262,526
Other general expenses	2,641,346	2,188,442
<b>Total Expenses</b>	<b>29,159,553</b>	<b>29,858,261</b>
<b>Changes in Net Position</b>	<b>\$ (1,147,213)</b>	<b>\$ (3,975,415)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$29.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$10.1 million because the cost was paid by those who benefited from the programs (\$0.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$3.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$13.5 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, 2015**

In Table 3, we have presented the cost and net cost of each of the District's largest functions - instruction, instruction-related activities, pupil services, administration, plant services, and other, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 15,551,699	\$ (13,395,242)	\$ 14,806,745	\$ (12,571,966)
Instruction-related activities	2,482,129	(2,259,794)	2,289,124	(2,104,168)
Pupil services	3,151,504	(2,036,410)	2,872,287	(1,656,698)
Administration	2,169,860	(2,069,101)	2,439,137	(2,341,282)
Plant services	3,163,015	(3,091,121)	5,262,526	(5,241,789)
Other	2,641,346	(1,873,323)	2,188,442	(1,703,015)
<b>Total</b>	<b>\$ 29,159,553</b>	<b>\$ (24,724,991)</b>	<b>\$ 29,858,261</b>	<b>\$ (25,618,918)</b>

**THE DISTRICT'S FUNDS**

As the District completed this year, our governmental funds reported a combined fund balance of \$12.5 million, which is a decrease of \$0.4 million from last year (Table 4).

**Table 4**

	Fund Balance	
	June 30, 2015	June 30, 2014
General Fund	\$ 1,057,285	\$ 1,417,815
Capital Facilities Fund	3,076,191	2,187,845
COP Capital Project Fund	4,280,221	5,170,111
Bond Interest and Redemption Fund	2,271,300	2,277,343
Cafeteria Fund	441,079	437,083
Deferred Maintenance Fund	184,188	198,300
Building Fund	-	660
Special Reserve Fund for Capital Outlay Projects	1,186,120	951,156
COP Debt Service Fund	-	220,822
<b>Total</b>	<b>\$ 12,496,384</b>	<b>\$ 12,861,135</b>

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

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

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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 \$360,530. This decrease is due to:

1. Reduction of State funding because of our ongoing declining enrollment
2. Four percent mid-year salary increase

Our Building Fund decreased \$660 due to the completion of District wide modernization and other construction projects at various school sites.

### General Fund Budgetary Highlights

This year, the District's General Fund decreased \$360,530 due to a board approved four percent mid-year salary increase and a reduction in State revenue.. In spite of this deficit spending, we have ended the year with a fund balance of \$1,057,285 or 4.53 percent of General Fund expenditures. The financial plan in 2015-2016 and subsequent fiscal years is to align or "right-size" expenditures with ongoing declining enrollment and revenues.

As with most districts in our State, our District has struggled with cash flow issues over the past several years due to State deferrals of revenue. This year the cash flow challenge was substantially reduced as the adopted State budget eliminated all of the deferrals.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had \$40.7 million in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease of \$2.0 million from last year.

**Table 5**

	Governmental Activities	
	2015	2014
Land and construction in process	\$ 686,793	\$ 686,793
Buildings and improvements	38,969,050	40,763,371
Equipment	1,048,398	1,287,150
<b>Total</b>	<b>\$ 40,704,241</b>	<b>\$ 42,737,314</b>

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

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

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### Long-Term Obligations

At the end of this year, the District had \$17.4 million in bonds outstanding versus \$18.5 million last year. At the end of the year, the District had \$28.0 million in long-term obligations. This consisted of general obligation (G.O.) bonds, certificates of participation, lease/purchase financing, other postemployment benefits, and compensated absences.

**Table 6**

	Governmental Activities	
	2015	2014
General obligation bonds (Financed with property taxes)	\$ 17,424,493	\$ 18,460,012
Premium on bonds	1,039,602	1,158,377
Certificate of participation	5,810,000	5,810,000
Lease/purchase financing	2,285,000	2,340,000
Other postemployment benefits	1,379,636	1,212,754
Compensated absences and other	59,764	186,821
<b>Total</b>	<b>\$ 27,998,495</b>	<b>\$ 29,167,964</b>

We present more detailed information regarding our long-term obligations in Note 7 of the financial statements.

### Net Pension Liability (NPL)

At year-end the District had a net pension liability of \$14,750,158, as a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District has therefore recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's student enrollment projection is expected to continue to decline for the next couple of years. With 14 years of declining enrollment, our District has become quite adept at managing the reduced revenues associated with declining enrollment.

The State economy is improving. State revenues exceeded forecasted revenues by \$2 billion for the 2014-2015 fiscal year. The economic outlook for 2015-2016 continues to look very promising, according to the Legislative Analyst's Office.

The Gap funding in fiscal year 2015-2016 is estimated at 51.52 percent, providing Bear Valley with an estimated \$1.6 million additional revenue over 2014-2015. This is based on improved revenues associated with the Local Control Funding Formula for the current year. In the event these additional revenues are not realized, recommendations for expenditure reductions will be made to the Governing Board in an amount sufficient to ensure deficit spending is eliminated.

## **BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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The revenue projections for 2015-2016 and 2016-2017 are very conservative. It is anticipated we will be able to increase these revenue projections in January 2015 with the Governor's proposed 2015-2016 State budget. In the event we will not be able to increase these revenue projections, recommendations for expenditure reductions will be made to the Governing Board in an amount sufficient to eliminate the projected deficit spending.

#### **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 Assistant Superintendent of Business Services, at Bear Valley Unified School District, P.O. Box 1529, Big Bear Lake, California 92315, or email at [john\\_nieder Korn@bearvalleyusd.org](mailto:john_nieder Korn@bearvalleyusd.org).

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2015

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 13,466,489
Receivables	1,474,870
Stores inventories	18,821
Prepaid expenses	6,705
Capital assets	
Land and construction in process	686,793
Other capital assets	66,885,638
Less: Accumulated depreciation	(26,868,190)
Total Capital Assets	<u>40,704,241</u>
<b>Total Assets</b>	<u><u>55,671,126</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	<u>1,301,601</u>
<b>LIABILITIES</b>	
Accounts payable	2,470,501
Interest payable	313,281
Long-term obligations	
Current portion of long-term obligations other than pensions	1,465,000
Noncurrent portion of long-term obligations other than pensions	<u>26,533,495</u>
Total Long-Term Obligations	<u>27,998,495</u>
Aggregate net pension liability	<u>14,750,158</u>
<b>Total Liabilities</b>	<u><u>45,532,435</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between projected and actual earnings on pension plan investments	<u>4,023,792</u>
<b>NET POSITION</b>	
Net investment in capital assets	20,089,860
Restricted for:	
Debt service	1,958,019
Capital projects	3,076,191
Educational programs	111,566
Other activities	427,595
Unrestricted	<u>(18,246,731)</u>
<b>Total Net Position</b>	<u><u>\$ 7,416,500</u></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, 2015

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	\$ 15,551,699	\$ 28,289	\$ 2,128,168	\$ (13,395,242)
Instruction-related activities:				
Supervision of instruction	719,703	-	168,431	(551,272)
Instructional library, media, and technology	114,382	-	16,874	(97,508)
School site administration	1,648,044	365	36,665	(1,611,014)
Pupil services:				
Home-to-school transportation	763,883	-	-	(763,883)
Food services	1,059,356	98,969	859,358	(101,029)
All other pupil services	1,328,265	17,673	139,094	(1,171,498)
General administration:				
Data processing	528,322	-	-	(528,322)
All other general administration	1,641,538	6,845	93,914	(1,540,779)
Plant services	3,163,015	33,204	38,690	(3,091,121)
Facility acquisition and construction	1,121,700	-	-	(1,121,700)
Ancillary services	174,101	-	1,995	(172,106)
Interest on long-term obligations	1,245,442	-	-	(1,245,442)
Other outgo	100,103	350,297	415,731	665,925
<b>Total Governmental Activities</b>	<b>\$ 29,159,553</b>	<b>\$ 535,642</b>	<b>\$ 3,898,920</b>	<b>(24,724,991)</b>
<b>Total School District</b>				
		General revenues and subventions:		
				6,788,095
				1,998,055
				1,339,316
				13,023,088
				17,176
				412,048
			<b>Subtotal, General Revenues</b>	<b>23,577,778</b>
			<b>Change in Net Position</b>	<b>(1,147,213)</b>
			Net Position - Beginning as restated	8,563,713
			Net Position - Ending	<b>\$ 7,416,500</b>

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>COP Capital Projects Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 2,616,238	\$ 2,572,496	\$ 4,280,221
Receivables	1,284,834	13,357	-
Due from other funds	97,553	618,555	-
Prepaid expenditures	6,705	-	-
Stores inventories	5,337	-	-
<b>Total Assets</b>	<u>\$ 4,010,667</u>	<u>\$ 3,204,408</u>	<u>\$ 4,280,221</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,334,827	\$ 128,217	\$ -
Due to other funds	618,555	-	-
<b>Total Liabilities</b>	<u>2,953,382</u>	<u>128,217</u>	<u>-</u>
<b>Fund Balances:</b>			
Nonspendable	22,042	-	-
Restricted	111,566	3,076,191	4,280,221
Committed	-	-	-
Assigned	-	-	-
Unassigned	923,677	-	-
<b>Total Fund Balances</b>	<u>1,057,285</u>	<u>3,076,191</u>	<u>4,280,221</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,010,667</u>	<u>\$ 3,204,408</u>	<u>\$ 4,280,221</u>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,271,300	\$ 1,726,234	\$ 13,466,489
-	176,679	1,474,870
-	-	716,108
-	-	6,705
-	13,484	18,821
<u>\$ 2,271,300</u>	<u>\$ 1,916,397</u>	<u>\$ 15,682,993</u>
\$ -	\$ 7,457	\$ 2,470,501
-	97,553	716,108
-	105,010	3,186,609
-	13,484	35,526
2,271,300	427,595	10,166,873
-	184,188	184,188
-	1,186,120	1,186,120
-	-	923,677
<u>2,271,300</u>	<u>1,811,387</u>	<u>12,496,384</u>
<u>\$ 2,271,300</u>	<u>\$ 1,916,397</u>	<u>\$ 15,682,993</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 12,496,384</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	\$ 67,572,431	
Accumulated depreciation is	(26,868,190)	
Total Capital Assets		40,704,241
Net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		(14,750,158)
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		1,301,601
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.		(313,281)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(4,023,792)
Long-term obligations at year-end consist of:		
General obligation bonds	15,760,000	
Premium on bonds	1,039,602	
Certificates of participation	5,810,000	
Capital lease agreement	2,285,000	
Other postemployment benefits (OPEB)	1,379,636	
Compensated absences	59,764	
In addition, the District issued "capital appreciation" general obligation bonds. The accretion of interest on those bonds to date is the following:	1,664,493	
Total Long-Term Obligations		(27,998,495)
<b>Total Net Position - Governmental Activities</b>		<b>\$ 7,416,500</b>

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, 2015**

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>COP Capital Projects Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 18,887,451	\$ -	\$ -
Federal sources	1,246,897	-	-
Other State sources	1,196,027	-	-
Other local sources	2,993,867	182,123	-
<b>Total Revenues</b>	<b>24,324,242</b>	<b>182,123</b>	<b>-</b>
<b>EXPENDITURES</b>			
Current			
Instruction	13,826,398	-	-
Instruction-related activities:			
Supervision of instruction	709,292	-	-
Instructional library, media, and technology	105,929	-	-
School site administration	1,602,350	-	-
Pupil services:			
Home-to-school transportation	788,568	-	-
Food services	-	-	-
All other pupil services	1,264,385	-	-
General administration:			
Data processing	500,551	-	-
All other general administration	1,498,981	5,373	1,450
Plant services	2,658,864	327,100	-
Facility acquisition and construction	-	265,259	888,440
Ancillary services	171,992	-	-
Community services	-	-	-
Other outgo	100,103	-	-
Debt service			
Principal	55,000	-	-
Interest and other	75,675	-	-
<b>Total Expenditures</b>	<b>23,358,088</b>	<b>597,732</b>	<b>889,890</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>966,154</b>	<b>(415,609)</b>	<b>(889,890)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	108,850	1,303,955	-
Transfers out	(1,435,534)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(1,326,684)</b>	<b>1,303,955</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(360,530)</b>	<b>888,346</b>	<b>(889,890)</b>
<b>Fund Balances - Beginning</b>	<b>1,417,815</b>	<b>2,187,845</b>	<b>5,170,111</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,057,285</b>	<b>\$ 3,076,191</b>	<b>\$ 4,280,221</b>

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

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 18,887,451
-	914,672	2,161,569
7,307	74,549	1,277,883
2,031,000	437,142	5,644,132
<u>2,038,307</u>	<u>1,426,363</u>	<u>27,971,035</u>
-	-	13,826,398
-	-	709,292
-	-	105,929
-	-	1,602,350
-	-	788,568
-	1,033,132	1,033,132
-	-	1,264,385
-	-	500,551
-	50,996	1,556,800
-	15,764	3,001,728
-	18	1,153,717
-	-	171,992
-	-	-
-	-	100,103
1,300,000	-	1,355,000
744,350	345,816	1,165,841
<u>2,044,350</u>	<u>1,445,726</u>	<u>28,335,786</u>
<u>(6,043)</u>	<u>(19,363)</u>	<u>(364,751)</u>
-	131,579	1,544,384
-	(108,850)	(1,544,384)
-	22,729	-
<u>(6,043)</u>	<u>3,366</u>	<u>(364,751)</u>
2,277,343	1,808,021	12,861,135
<u>\$ 2,271,300</u>	<u>\$ 1,811,387</u>	<u>\$ 12,496,384</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, 2015**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (364,751)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
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 exceed capital outlays in the period.	
Depreciation expense	\$ (2,065,090)
Capital outlays	32,017
	<u>(2,033,073)</u>
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 used was more than the amounts earned by \$(127,057).	127,057
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.	15,037
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	1,300,000
Lease purchase agreement	55,000
	<u>1,355,000</u>
Premiums on the issuance of bonds is amortized on the Statement of Activities over the life of the bonds as a component of interest expense in the Statement of Activities. This adjustment combines the net changes of the following balances:	
Amortization of debt premium	118,775
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. For this fiscal year, the actual amount of the contribution was less that the annual required contribution.	(166,882)
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 increased by \$66,105 and second, \$264,481 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(198,376)
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (1,147,213)</u></u></b>

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 495,831
Receivables	240
<b>Total Assets</b>	<u><u>\$ 496,071</u></u>
 <b>LIABILITIES</b>	
Due to student groups	\$ 218,933
Due to bargaining units	277,138
<b>Total Liabilities</b>	<u><u>\$ 496,071</u></u>

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



# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. 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, 2015**

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### **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 the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### **Pensions**

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

### **Prepaid Expenditures**

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

### **Stores Inventories**

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Capital Assets and Depreciation

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

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

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

### Interfund Balances

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

### Compensated Absences

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

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

# **BEAR VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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### **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 \$5,573,371 of restricted net position.

### **Interfund Activity**

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

### **Estimates**

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

### **Budgetary Data**

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

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

### **Property Tax**

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



# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Change in Accounting Principles

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

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

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

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

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

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

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$17,487,386. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

### **New Accounting Pronouncements**

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

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

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

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

Governmental activities	\$ 13,466,489
Fiduciary funds	495,831
Total Deposits and Investments	<u>\$ 13,962,320</u>

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

Cash on hand and in banks	\$ 219,133
Cash in revolving	10,000
Investments	13,733,187
Total Deposits and Investments	<u>\$ 13,962,320</u>

#### Policies and Practices

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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

**General Authorizations**

Limitations as they relate to interest rate risk, 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 and purchasing shorter term investments.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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**Specific Identification**

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Days</u>
San Bernardino County Investment Pool	\$ 9,462,871	344
Short-Term Securities	4,280,221	N/A
	<u>\$ 13,743,092</u>	

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The San Bernardino County Investment Pool has been rated by Fitch Ratings as AAA/V1. The District's investment in the short term securities are not required to be rated, nor has it been rated as of June 30, 2015.

**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, 2015, the District's bank balance of \$283,285 was fully insured.



**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Capital Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Fund</u>
Federal Government					
Categorical aid	\$ 419,109	\$ -	\$ 144,545	\$ 563,654	\$ -
State Government					
LCFF principal apportionment	208,541	-	-	208,541	-
Categorical aid	68,949	-	12,317	81,266	-
Lottery	219,945	-	-	219,945	-
Local Government					
Interest	3,447	2,194	356	5,997	240
Other Local Sources					
Other local	364,843	11,163	19,461	395,467	-
Total	<u>\$ 1,284,834</u>	<u>\$ 13,357</u>	<u>\$ 176,679</u>	<u>\$ 1,474,870</u>	<u>\$ 240</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 686,793	\$ -	\$ -	\$ 686,793
Capital Assets Being Depreciated				
Site improvements	10,630,248	-	-	10,630,248
Buildings and improvements	50,975,745	-	-	50,975,745
Furniture and equipment	5,247,628	32,017	-	5,279,645
Total Capital Assets Being Depreciated	<u>66,853,621</u>	<u>32,017</u>	<u>-</u>	<u>66,885,638</u>
Less Accumulated Depreciation				
Site improvements	4,512,252	431,474	-	4,943,726
Buildings and improvements	16,330,370	1,362,847	-	17,693,217
Furniture and equipment	3,960,478	270,769	-	4,231,247
Total Accumulated Depreciation	<u>24,803,100</u>	<u>2,065,090</u>	<u>-</u>	<u>26,868,190</u>
Governmental Activities Capital Assets, net	<u>\$ 42,737,314</u>	<u>\$ (2,033,073)</u>	<u>\$ -</u>	<u>\$ 40,704,241</u>

Depreciation expense was charged to governmental activities as follows:

<b>Governmental Activities</b>		
Instruction		\$ 1,685,290
Food services		23,830
All other pupil services		41,239
Data processing		29,786
All other general administration		123,935
Plant services		161,010
Total Depreciation Expenses Governmental Activities		<u>\$ 2,065,090</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2015, between major funds and non-major governmental funds are as follows:

Due To	Due From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 97,553	\$ 97,553
Capital Facilities Fund	618,555	-	618,555
Total	<u>\$ 618,555</u>	<u>\$ 97,553</u>	<u>\$ 716,108</u>

The General Fund owes the Capital Facilities Fund \$618,555 to correctly move money deposited by the County to the correct fund.

The Cafeteria Non-Major Governmental Fund owes the General fund \$97,553 for payroll and indirect related cost.

**Operating Transfers**

Transfer To	Transfer From		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 108,850	\$ 108,850
Capital Facilities Fund	1,303,955	-	1,303,955
Non-Major Governmental Funds	131,579	-	131,579
Total	<u>\$ 1,435,534</u>	<u>\$ 108,850</u>	<u>\$ 1,544,384</u>

The General Fund transferred to the Capital Facilities Fund for monies that should have been deposited by the County directly to the Capital Facilities Fund. \$ 1,303,955

The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the bad debt of uncollectable accounts receivable. 6,585

The General Fund transferred to the COP Capital Projects Debt Service Non-Major Governmental Fund monies for debt service interest payments. 124,994

The Cafeteria Non-Major Governmental Fund transferred to the General Fund for child nutrition's portion of the employee health and benefit pool. 15,195

The Special Reserve Non-Major Fund for Capital Outlay Projects transferred to the General Fund to pay for the costs associated with the purchase of additional technology for students and staff. 93,655

\$ 1,544,384

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTE 6 - ACCOUNTS PAYABLE**

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

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,438,854	\$ -	\$ 1,620	\$ 1,440,474
LCFF principal apportionment	207,800	-	-	207,800
Vendor payables	688,173	33,195	5,837	727,205
Construction	-	95,022	-	95,022
Total	<u>\$ 2,334,827</u>	<u>\$ 128,217</u>	<u>\$ 7,457</u>	<u>\$ 2,470,501</u>

**NOTE 7 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 18,460,012	\$ 264,481	\$ 1,300,000	\$ 17,424,493	\$ 1,355,000
Premium on bonds	1,158,377	-	118,775	1,039,602	-
Certificate of Participation	5,810,000	-	-	5,810,000	35,000
Lease/purchase financing	2,340,000	-	55,000	2,285,000	75,000
Other postemployment benefits	1,212,754	298,930	132,048	1,379,636	-
Compensated absences	186,821	-	127,057	59,764	-
Total	<u>\$ 29,167,964</u>	<u>\$ 563,411</u>	<u>\$ 1,732,880</u>	<u>\$ 27,998,495</u>	<u>\$ 1,465,000</u>

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

**Bonded Debt**

**General Obligation Bonds**

General Obligation Bonds	Original Issue	Bonds Outstanding July 1, 2014	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2015	Due in One Year
2002 Series A	\$ 14,998,986	\$ 1,492,505	\$ 99,030	\$ 525,000	\$ 1,066,535	\$ 550,000
2006 Refunding	10,629,898	7,742,507	165,451	625,000	7,282,958	655,000
2002 Series B	10,000,000	9,225,000	-	150,000	9,075,000	150,000
	<u>\$ 35,628,884</u>	<u>\$ 18,460,012</u>	<u>\$ 264,481</u>	<u>\$ 1,300,000</u>	<u>\$ 17,424,493</u>	<u>\$ 1,355,000</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**2002 General Obligation Bonds, Series A**

In June 2003, the District issued the 2002 General Obligation Bonds, Series A in the amount of \$14,998,986. The proceeds were used for upgrades and renovation of District facilities. The interest rates on the bonds range from 2.25 to 4.25 percent. The bonds, as issued, included current interest maturities totaling \$14,320,000 and capital accretion bonds with original principal amounts totaling \$678,986, (accreting to \$1,675,000). A portion of the current interest bonds (\$9,930,000) was refunded in 2006; see below. As of June 30, 2015, the principal balance outstanding (including accretion to date) is \$1,066,535. The maturities are summarized as follows:

Fiscal Year	Principal Including Accretion to Date	Interest to Maturity	Total
2016	\$ 529,738	\$ 20,262	\$ 550,000
2017	536,797	63,203	600,000
Total	<u>\$ 1,066,535</u>	<u>\$ 83,465</u>	<u>\$ 1,150,000</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, 2015, the principal balance of the 2006 General Obligation Refunding Bonds outstanding (including accretion to date) is \$7,282,958. The maturities are summarized as follows:

Fiscal Year	Principal Including Accretion to Date	Interest to Maturity	Total
2016	\$ 655,000	\$ 266,000	\$ 921,000
2017	690,000	232,475	922,475
2018	1,275,000	186,537	1,461,537
2019	1,385,000	119,763	1,504,763
2020	1,485,000	40,838	1,525,838
2021-2022	1,792,958	1,407,042	3,200,000
Total	<u>\$ 7,282,958</u>	<u>\$ 2,252,655</u>	<u>\$ 9,535,613</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**2002 General Obligation Bonds, Series B**

In March 2007, the District issued the 2002 General Obligation Bonds, Series B in the amount of \$10,000,000. The proceeds were to be used for repair, upgrading, acquisition, construction, and equipping of certain District property and to pay costs of issuance of the bonds. The interest rates on the bonds range from 4.0 to 5.0 percent. As of June 30, 2015, the principal balance outstanding is \$9,075,000. The maturities are summarized as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 150,000	\$ 437,250	\$ 587,250
2017	150,000	429,750	579,750
2018	275,000	419,125	694,125
2019	275,000	406,750	681,750
2020	325,000	394,750	719,750
2021-2025	2,325,000	1,716,000	4,041,000
2026-2030	3,675,000	963,125	4,638,125
2031-2032	1,900,000	96,250	1,996,250
Total	\$ 9,075,000	\$ 4,863,000	\$ 13,938,000

**Certificates of Participation**

In October 2014, the District issued Certificates of Participation in the amount of \$5,810,000 through a facilities lease with the Public Property Financing Corporation of California, a California nonprofit public benefit corporation. The certificate matures through October 1, 2038 yielding a four percent interest rate through 2033 and 4.75 percent through 2038. Proceeds from the issuance were used to purchase the "Districts 2013" project for the capital lease equipment. As of June 30, 2015, \$5,810,000 was outstanding.

The certificate of participation matures as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 35,000	\$ 249,287	\$ 284,287
2017	55,000	247,487	302,487
2018	55,000	245,287	300,287
2019	80,000	242,587	322,587
2020	85,000	239,288	324,288
2021-2025	665,000	1,128,038	1,793,038
2026-2030	1,135,000	950,438	2,085,438
2031-2035	1,680,000	662,519	2,342,519
2036-2039	2,020,000	201,875	2,221,875
Total	\$ 5,810,000	\$ 4,166,806	\$ 9,976,806

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**Lease/Purchase Financing**

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2016	\$ 75,000	\$ 73,897	\$ 148,897
2017	95,000	71,471	166,471
2018	115,000	68,399	183,399
2019	135,000	64,680	199,680
2020	145,000	60,314	205,314
2021-2025	895,000	224,304	1,119,304
2026-2029	825,000	62,618	887,618
Total	<u>\$ 2,285,000</u>	<u>\$ 625,683</u>	<u>\$ 2,910,683</u>

**Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2015, was \$297,952, and contributions made by the District during the year were \$132,048. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$60,637 and \$(59,659), respectively, which resulted in an increase to the net OPEB obligation of \$166,882. As of June 30, 2015, the net OPEB obligation was \$1,379,636. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**Compensated Absences**

At June 30, 2015, the accumulated unpaid employee vacation amounted to \$59,764.

**NOTE 8 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2015, the following District major fund exceeded the budgeted amount in total as follows:

	<u>Expenditures and Other Financing Uses</u>		
	<u>Budget</u>	<u>Actual*</u>	<u>Excess</u>
General Fund	<u>\$ 23,875,300</u>	<u>\$ 24,793,622</u>	<u>\$ 918,322</u>

\* Includes on behalf payments of \$517,967.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	COP Capital Projects Fund	Bond Interest and Redemption Fund
<b>Nonspendable</b>				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -
Stores inventories	5,337	-	-	-
Prepaid expenditures	6,705	-	-	-
Total Nonspendable	<u>22,042</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted</b>				
Legally restricted programs	111,566	-	-	-
Cafeteria program	-	-	-	-
Capital projects	-	3,076,191	4,280,221	-
Debt services	-	-	-	2,271,300
Total Restricted	<u>111,566</u>	<u>3,076,191</u>	<u>4,280,221</u>	<u>2,271,300</u>
<b>Committed</b>				
Deferred maintenance program	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Assigned</b>				
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	923,677	-	-	-
Total Unassigned	<u>923,677</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,057,285</u>	<u>\$ 3,076,191</u>	<u>\$ 4,280,221</u>	<u>\$ 2,271,300</u>



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Non-Major Governmental	
Funds	Total
\$ -	\$ 10,000
13,484	18,821
-	6,705
<u>13,484</u>	<u>35,526</u>
-	111,566
427,595	427,595
-	7,356,412
-	2,271,300
<u>427,595</u>	<u>10,166,873</u>
<u>184,188</u>	<u>184,188</u>
<u>1,186,120</u>	<u>1,186,120</u>
-	923,677
-	923,677
<u>\$ 1,811,387</u>	<u>\$ 12,496,384</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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

**Plan Description**

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan. The Plan provides medical and vision insurance benefits to eligible retirees and dependents. Membership of the Plan consists of 17 retirees and beneficiaries currently receiving benefits, and 184 active Plan members. The Plan is currently unfunded.

**Contribution Information**

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$132,048 based on established contribution caps.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 297,952
Interest on net OPEB obligation	60,637
Adjustment to annual required contribution	<u>(59,659)</u>
Annual OPEB cost (expense)	298,930
Contributions made	<u>(132,048)</u>
Increase in net OPEB obligation	166,882
Net OPEB obligation, beginning of year	<u>1,212,754</u>
Net OPEB obligation, end of year	<u><u>\$ 1,379,636</u></u>

**Trend Information**

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 298,629	\$ 107,861	36%	\$ 1,029,873
2014	298,783	115,902	39%	1,212,754
2015	298,930	132,048	44%	1,379,636

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
May 7, 2013	\$ -	\$ 2,494,081	\$ 2,494,081	0%	\$ 11,601,396	21%

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

**Actuarial Methods and Assumptions**

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

In the May 7, 2013, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return. Benefit cost trend rates are estimated as four percent per year. The UAAL is being amortized at a level percentage of payroll method. There is no actuarial value of plan assets because no trust has been established.

**NOTE 11 - RISK MANAGEMENT**

The District's risk management activities are recorded in the General Fund. The District participates in the Southern California Schools Risk Management (SCSRM) workers' compensation program and purchases property and liability insurance through the JPA. The District participates in Schools' Excess Liability Fund (SELF) public entity risk pool for the purchase of excess liability coverage. Refer to Note 14 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.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

The following is a summary of the insurance policies carried by the District as of June 30, 2015:

Insurance Program Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Southern California School Risk Management	Workers' Compensation Excess	\$ 125,000 Statutory
<u>Property and Liability Program</u>		
Southern California School Risk Management	Property	\$ 100,000
	Excess Property	\$ 599,900,000
	Flood	\$ 20,000,000
	Machinery	\$ 100,000,000
	Crime	\$ 2,000,000
	Computer/EDP - Self Insured	\$ 5,000
	Liability - Self Insured	\$ 500,000
	Liability - Reinsured	\$ 4,500,000

**NOTE 12 - 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).

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

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 10,728,165	\$ 854,472	\$ 2,641,790	\$ 559,272
CalPERS	4,021,993	447,129	1,382,002	357,473
Total	<u>\$ 14,750,158</u>	<u>\$ 1,301,601</u>	<u>\$ 4,023,792</u>	<u>\$ 916,745</u>

## BEAR VALLEY UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

##### **Benefits Provided**

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

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, 2015**

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

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

**Contributions**

Required member, District, and State of California 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, 2015, are presented above, and the District's total contributions were \$854,472.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 10,728,165
State's proportionate share of the net pension liability associated with the District	6,478,129
Total	<u>\$ 17,206,294</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0184 percent.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

For the year ended June 30, 2015, the District recognized pension expense of \$599,289 and revenue and pension expense of \$559,272 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 854,472	\$ -
Difference between projected and actual earnings on pension plan investments	-	2,641,790
Total	<u>\$ 854,472</u>	<u>\$ 2,641,790</u>

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

Year Ended June 30,	Amortization
2016	\$ 660,448
2017	660,448
2018	660,447
2019	660,447
Total	<u>\$ 2,641,790</u>

**Actuarial Methods and Assumptions**

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

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

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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

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

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 16,722,404
Current discount rate (7.60%)	10,728,165
1% increase (8.60%)	5,730,060



# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

#### Plan Description

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

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

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 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, 2015, are summarized as follows:

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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, 2015, are presented above, and the total District contributions were \$447,129.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$4,021,993. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0354 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$357,473. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 447,129	\$ -
Difference between projected and actual earnings on pension plan investments	-	1,382,002
Total	<u>\$ 447,129</u>	<u>\$ 1,382,002</u>

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

Year Ended June 30,	Amortization
2016	\$ 345,500
2017	345,500
2018	345,501
2019	345,501
Total	<u>\$ 1,382,002</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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**Actuarial Methods and Assumptions**

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

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

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

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

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	\$ 7,055,494
Current discount rate (7.50%)	4,021,993
1% increase (8.50%)	1,487,197

### 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 \$517,967 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 13 - COMMITMENTS AND CONTINGENCIES

### Grants

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

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Litigation

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

### Charter School Contingency

Management believes that most if not all of the average daily attendance claimed by the Center for Excellence Charter School will be disallowed and the resolution with the California Department of Education is pending. The funding apportioned to the Charter is held in the District's name but is not reported within the financial statements of the District. The resolution is not expected to have a negative impact on the financial statements of the District.

### NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

During the year ended June 30, 2015, the District made payments totaling \$1,025,724 to SCSRM.

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

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

#### Statement of Net Position

Net Position - Beginning	\$ 26,051,099
Inclusion of net pension liability from the adoption of GASB Statement No. 68	(18,587,523)
Inclusion of deferred outflows of resources from the adoption of GASB Statement No. 68	<u>1,100,137</u>
Net Position - Beginning as Restated	<u><u>\$ 8,563,713</u></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, 2015**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive</b>
				<b>(Negative)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 19,583,917	\$ 19,901,827	\$ 18,887,451	\$ (1,014,376)
Federal sources	1,180,929	1,160,869	1,246,897	86,028
Other State sources	481,360	634,986	1,196,027	561,041
Other local sources	1,171,754	2,417,472	2,993,867	576,395
<b>Total Revenues <sup>1</sup></b>	<b>22,417,960</b>	<b>24,115,154</b>	<b>24,324,242</b>	<b>209,088</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	10,048,131	10,578,297	10,582,318	(4,021)
Classified salaries	3,753,333	3,891,967	3,952,660	(60,693)
Employee benefits	4,062,506	4,308,954	4,818,800	(509,846)
Books and supplies	1,318,217	1,314,455	1,269,883	44,572
Services and operating expenditures	2,397,600	2,466,877	2,502,640	(35,763)
Capital outlay	12,500	53,007	53,009	(2)
Other outgo	270,078	320,189	48,103	272,086
Debt service - principal	-	-	55,000	(55,000)
Debt service - interest	-	-	75,675	(75,675)
<b>Total Expenditures <sup>1</sup></b>	<b>21,862,365</b>	<b>22,933,746</b>	<b>23,358,088</b>	<b>(424,342)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>555,595</b>	<b>1,181,408</b>	<b>966,154</b>	<b>(215,254)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	225,060	355,210	108,850	(246,360)
Transfers out	(246,913)	(941,554)	(1,435,534)	(493,980)
<b>Net Financing Sources (Uses)</b>	<b>(21,853)</b>	<b>(586,344)</b>	<b>(1,326,684)</b>	<b>(740,340)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>533,742</b>	<b>595,064</b>	<b>(360,530)</b>	<b>(955,594)</b>
<b>Fund Balance - Beginning</b>	<b>1,417,815</b>	<b>1,417,815</b>	<b>1,417,815</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,951,557</b>	<b>\$ 2,012,879</b>	<b>\$ 1,057,285</b>	<b>\$ (955,594)</b>

<sup>1</sup> On behalf payments of \$517,967 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
November 20, 2008	\$ -	\$ 4,088,155	\$ 4,088,155	0%	\$ 14,120,516	29%
May 12, 2011	-	2,596,518	2,596,518	0%	12,839,445	20%
May 7, 2013	-	2,494,081	2,494,081	0%	11,601,396	21%



**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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**CalSTRS**

District's proportion of the net pension liability	<u>0.0184%</u>
District's proportionate share of the net pension liability	\$ 10,728,165
State's proportionate share of the net pension liability associated with the District	<u>6,478,129</u>
Total	<u><u>\$ 17,206,294</u></u>
District's covered - employee payroll	<u>\$ 9,274,933</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>115.67%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>

**CalPERS**

District's proportion of the net pension liability	<u>0.0354%</u>
District's proportionate share of the net pension liability	<u>\$ 4,021,993</u>
District's covered - employee payroll	<u>\$ 3,719,396</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>108.14%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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**CalSTRS**

Contractually required contribution	\$ 854,472
Contributions in relation to the contractually required contribution	<u>(854,472)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 9,622,432</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>

**CalPERS**

Contractually required contribution	\$ 447,129
Contributions in relation to the contractually required contribution	<u>(447,129)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 3,798,887</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

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*SUPPLEMENTARY INFORMATION*

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**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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):			
No Child Left Behind Act (NCLB)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 573,956
Title II, Part A, Improving Teacher Quality	84.367	14341	149,277
Title III, Limited English Proficient Student Program	84.365	14346	33,242
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	33,269
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	420,381
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	6,685
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	3,863
Total Special Education (IDEA) Cluster			<u>430,929</u>
Total U.S. Department of Education			<u>1,220,673</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	625,270
Especially Needy Breakfast	10.553	13526	217,020
Food Distribution	10.555	13391	72,383
Total Child Nutrition Cluster			<u>914,673</u>
Total U.S. Department of Agriculture			<u>914,673</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	34,856
Total U.S. Department of Health and Human Services			<u>34,856</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 2,170,202</b></u>

See accompanying note to supplementary information.

# BEAR VALLEY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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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 three elementary schools, one middle school, one high school, and one continuation school in Big Bear Valley as well as one elementary school in Forest Falls. There were no changes in the boundary of the District.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mrs. Beverly Grabe	President	2018
Dr. Stephen Foulkes	Clerk	2015
Mr. John Goepf	Member	2015
Mrs. Katherine Herrick	Member	2015
Mr. Paul Zamoyta	Member	2015

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Mr. Kurt Madden	Superintendent of Schools
Mr. Walter Con	Assistant Superintendent of Business Services
Mrs. Tina Fulmer	Director of Personnel/Educational Services

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

	Final Report	
	*Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	669.72	666.91
Fourth through sixth	523.14	519.90
Seventh and eighth	358.46	359.49
Ninth through twelfth	743.29	733.65
Total Regular ADA	<u>2,294.61</u>	<u>2,279.95</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	<u>0.97</u>	<u>0.97</u>
Total Special Education, Nonpublic, Nonsectarian Schools	<u>0.97</u>	<u>0.97</u>
Total ADA	<u>2,295.58</u>	<u>2,280.92</u>

\*District revised the P-2 report on September 23, 2015

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	52,095	180	-	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			52,095	180	-	Complied
Grade 2			52,095	180	-	Complied
Grade 3			52,095	180	-	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,795	180	-	Complied
Grade 5			54,795	180	-	Complied
Grade 6			54,795	180	-	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			56,160	180	-	Complied
Grade 8			56,160	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			65,660	180	-	Complied
Grade 10			65,660	180	-	Complied
Grade 11			65,660	180	-	Complied
Grade 12			65,660	180	-	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, 2015**

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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>
FUND BALANCE	
Balance, June 30, 2015, Unaudited Actuals	\$ 1,400,315
Decrease in:	
Accounts receivable	(135,230)
Increase in:	
Accounts payable	(207,800)
Balance, June 30, 2015, Audited Financial Statement	<u>\$ 1,057,285</u>

See accompanying note to supplementary information.



**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

	(Budget) 2016 <sup>1</sup>	2015	2014	2013
<b>GENERAL FUND</b>				
Revenues	\$ 24,519,071	\$ 24,324,242	\$ 22,163,485	\$ 21,105,038
Other sources and transfers in	224,520	108,850	2,457,290	-
Total Revenues and Other Sources	24,743,591	24,433,092	24,620,775	21,105,038
Expenditures	23,297,751	23,358,088	24,355,545	20,951,535
Other uses and transfers out	230,473	1,435,534	1,181,674	1,015,071
Total Expenditures and Other Uses	23,528,224	24,793,622	25,537,219	21,966,606
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>	<b>\$ 1,215,367</b>	<b>\$ (360,530)</b>	<b>\$ (916,444)</b>	<b>\$ (861,568)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,272,652</b>	<b>\$ 1,057,285</b>	<b>\$ 1,417,815</b>	<b>\$ 2,334,259</b>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<b>\$ 959,893</b>	<b>\$ 923,677</b>	<b>\$ 752,011</b>	<b>\$ 1,414,971</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<b>4.08%</b>	<b>3.80%</b>	<b>3.01%</b>	<b>6.58%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>N/A</b>	<b>\$ 27,998,495</b>	<b>\$ 29,167,964</b>	<b>\$ 21,803,289</b>
<b>AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>2,205</b>	<b>2,296</b>	<b>2,425</b>	<b>2,466</b>

The General Fund balance has decreased by \$1,276,974 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$1,215,367 (115 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 all of the past three years, but anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$6,195,206 over the past two years.

Average daily attendance has decreased by 170 over the past two years. An additional decline of 91 ADA is anticipated during fiscal year 2015-2016.

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

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

<sup>3</sup> On behalf payments of \$517,967 have been excluded from the calculation of available reserves for fiscal year ending June 30, 2015.

See accompanying note to supplementary information.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

	<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	\$ 356,970	\$ 184,020	\$ 1,185,244	\$ 1,726,234
Receivables	175,635	168	876	176,679
Stores inventories	13,484	-	-	13,484
<b>Total Assets</b>	<b>\$ 546,089</b>	<b>\$ 184,188</b>	<b>\$ 1,186,120</b>	<b>\$ 1,916,397</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,457	\$ -	\$ -	\$ 7,457
Due to other funds	97,553	-	-	97,553
<b>Total Liabilities</b>	<b>105,010</b>	<b>-</b>	<b>-</b>	<b>105,010</b>
<b>Fund Balances:</b>				
Nonspendable	13,484	-	-	13,484
Restricted	427,595	-	-	427,595
Committed	-	184,188	-	184,188
Assigned	-	-	1,186,120	1,186,120
<b>Total Fund Balances</b>	<b>441,079</b>	<b>184,188</b>	<b>1,186,120</b>	<b>1,811,387</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 546,089</b>	<b>\$ 184,188</b>	<b>\$ 1,186,120</b>	<b>\$ 1,916,397</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, 2015**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>
<b>REVENUES</b>				
Federal sources	\$ 914,672	\$ -	\$ -	\$ -
Other State sources	74,549	-	-	-
Other local sources	107,513	767	243	328,619
<b>Total Revenues</b>	<u>1,096,734</u>	<u>767</u>	<u>243</u>	<u>328,619</u>
<b>EXPENDITURES</b>				
Current				
Food services	1,033,132	-	-	-
General administration:				
All other general administration	50,996	-	-	-
Plant services	-	14,879	885	-
Facility acquisition and construction	-	-	18	-
Debt service				
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>1,084,128</u>	<u>14,879</u>	<u>903</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<u>12,606</u>	<u>(14,112)</u>	<u>(660)</u>	<u>328,619</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	6,585	-	-	-
Transfers out	(15,195)	-	-	(93,655)
<b>Net Financing Sources (Uses)</b>	<u>(8,610)</u>	<u>-</u>	<u>-</u>	<u>(93,655)</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	3,996	(14,112)	(660)	234,964
<b>Fund Balances - Beginning</b>	437,083	198,300	660	951,156
<b>Fund Balances - Ending</b>	<u>\$ 441,079</u>	<u>\$ 184,188</u>	<u>\$ -</u>	<u>\$ 1,186,120</u>

See accompanying note to supplementary information

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<b>COP Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 914,672
-	74,549
-	437,142
<u>-</u>	<u>1,426,363</u>
-	1,033,132
-	50,996
-	15,764
-	18
<u>345,816</u>	<u>345,816</u>
<u>345,816</u>	<u>1,445,726</u>
<u>(345,816)</u>	<u>(19,363)</u>
124,994	131,579
<u>-</u>	<u>(108,850)</u>
<u>124,994</u>	<u>22,729</u>
(220,822)	3,366
<u>220,822</u>	<u>1,808,021</u>
<u>\$ -</u>	<u>\$ 1,811,387</u>

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of 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.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues per the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 2,161,569
Medi-Cal Billing Option	93.778	<u>8,633</u>
Total per Schedule of Expenditures of Federal Awards		<u><u>\$ 2,170,202</u></u>

**Local Education Agency Organization Structure**

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

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

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

**Schedule of Instructional Time**

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

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

# **BEAR VALLEY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015**

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

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited 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, 2015, and the related notes to the financial statements, which collectively comprise Bear Valley Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2015.

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

As discussed in Notes 1 and 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Bear Valley Unified School District in a separate letter dated December 11, 2015.

### **Purpose of This Report**

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2015



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

Governing Board  
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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bear Valley Unified School District's major Federal programs for the year ended June 30, 2015. Bear Valley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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

Varrin, Trina, Day & Co., LLP

Rancho Cucamonga, California  
December 11, 2015



## 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Bear Valley Unified School District's State government programs as noted below for the year ended June 30, 2015.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

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

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, 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
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer any Regional Occupational Centers or Programs; therefore, we did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort.

The District does not offer any Adult Education; therefore, we did not perform any procedures related to Adult Education Maintenance of Effort.

We did not perform testing over the California Clean Energy Jobs Act as no expenditures were noted in the current year.

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

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

*Vavrieh, Trina, Day & Co., LLP*

Rancho Cucamonga, California  
December 11, 2015

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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, 2015**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.367</u>	<u>Title II, Part A, Improving Teacher Quality</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education (IDEA) Cluster</u>

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

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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None reported.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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None reported.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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None reported.

**BEAR VALLEY UNIFIED SCHOOL DISTRICT**

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

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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***

None reported.



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

In planning and performing our audit of the financial statements of Bear Valley Unified School District (the District) for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

However, as discussed below, we identified matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2015, on the financial statements of the District.

## 2014-2015 OBSERVATIONS AND RECOMMENDATIONS

### *FINANCIAL CONDITION*

#### **Observation**

The District has incurred deficit spending in the General Fund of \$360,530, \$916,444, \$861,568, \$873,971, \$424,395, and \$848,768 for the fiscal years ending June 30, 2015, 2014, 2013, 2012, 2011, and 2010, respectively. The District has continued to meet the suggested economic reserve of 3.0 percent in the General Fund, however, this percentage has decreased from 15.3 percent in the 2010 fiscal year to 3.8 percent in the 2015 fiscal year. Continued deficit spending could result in the District's General Fund to fall below the suggested economic reserve level of 3.0 percent.

#### **Recommendation**

We recommend that the District continue to explore ways to reduce overall costs, as well as to maximize the revenue received from Federal, State, and local sources.

### *BOARD MINUTES*

#### **Observation**

The District is not preparing and approving board minutes in a timely manner. Currently, the District has not prepared and submitted to the Governing Board for their approval any minutes after the June 24, 2015 board meeting.

#### **Recommendation**

The District should be updating board minutes in a timely manner to ensure that the information communicated throughout the meeting are getting appropriately approved. It is important to do this process in a timely manner to ensure that the minutes being approved by the Governing Board are accurate and complete.

## 2013-2014 IMPLEMENTED OBSERVATIONS

### ***ASSOCIATED STUDENT BODY (ASB)***

#### ***All ASBs***

#### **Observation**

During our onsite review of the high school and middle school associated student bodies, it was noted that there is little oversight by the District in respect to the daily activity and accounting. The District has not implemented controls over areas such as cash handling, cash reconciling, student store operations, and entries into the accounting system. In addition, the District has not developed formal policies and procedures to ensure that controls exist and are being implemented over the routine activity within the site associated student bodies. As a result, the controls over associated student body operations are not adequate to prevent and/or detect financial misreporting and asset misappropriation.

#### **Recommendation**

The District should develop formal operational policies and procedures for the daily activity within the associated student bodies. These policies and procedures should be communicated and acknowledged by the associated student bookkeepers and site administration. Formal trainings should be held by the District to ensure understanding and acknowledgement of responsibilities. Periodic onsite reviews should be performed by the District to verify that policies and procedures are being implemented and controls over financial reporting and asset management are operational as intended.

#### **Current Status**

Implemented.

### ***FOOD SERVICES***

#### **Observation**

During testing of Food Service receipts, it was noted that there was no form of verification on the total amount of monies coming into the District from the Food Service Department. Food Services were dropping off monies to the District office with no support on how much money should have been included in the total deposit.

#### **Recommendation**

A pre-numbered, three-part receipt book should be maintained by the Food Service Department throughout the year. As money is received by the Food Service Department, a receipt should be filled out and one copy distributed to the payer, one kept in the receipt book, and one goes with the deposit documentation. By implementing this procedure, the site will be able to provide a trail from the money received by the Food Service Department to the money that is deposited in the bank.

#### **Current Status**

Implemented.

Governing Board  
Bear Valley Unified School District

This communication is intended solely for the information and use of management, the governing board, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

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

Rancho Cucamonga, California  
December 11, 2015