

BEAR VALLEY UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

BEAR VALLEY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bear Valley Unified School District (the District) as of and for the year ended June 30, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, 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, 2014, 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.

Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and other postemployment benefit information on pages 51 and 52, 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* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, 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.

Vannich, Tume, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2014

BOARD OF TRUSTEES

Mrs. Beverly Grabe
Mr. Randall Putz
Dr. Kenneth Turney
Dr. Alfred Waner
Mr. Paul Zamoyta

Mr. Kurt Madden,
Superintendent of Schools



BEAR VALLEY SCHOOLS
Big Bear Elementary
North Shore Elementary
Baldwin Lane Elementary
Fallsvale Elementary
Big Bear Middle
Big Bear High
Chautauqua High

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

This section of Bear Valley Unified School District's (the District) 2013-2014 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014, with comparative information from June 30, 2013. 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.

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.

The mission of the Bear Valley Unified School District is to educate, inspire, and prepare all students to be life-long learners and responsible global citizens.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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, 2014

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 \$26.1 million for the fiscal year ended June 30, 2014. Of this amount, \$(1.0) 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	
	2014	2013 as Restated
Assets		
Current and other assets	\$ 18,162,446	\$ 13,907,834
Capital assets	42,737,314	42,865,339
Total Assets	60,899,760	56,773,173
Liabilities		
Current liabilities	5,680,697	4,943,370
Long-term obligations	29,167,964	21,803,289
Total Liabilities	34,848,661	26,746,659
Net Position		
Net investment in capital assets	21,836,491	25,170,959
Restricted	5,238,192	4,146,849
Unrestricted	(1,023,584)	708,706
Total Net Position	\$ 26,051,099	\$ 30,026,514

The \$(1.0) 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, 2014

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	
	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 408,486	\$ 549,005
Operating and capital grants and contributions	3,830,857	4,257,115
General revenues:		
Federal and State aid not restricted	7,802,553	6,944,962
Property taxes	12,860,434	11,719,191
Other general revenues	980,516	920,705
Total Revenues	25,882,846	24,390,978
Expenses		
Instruction-related	17,095,869	16,174,412
Pupil services	2,872,287	3,160,610
Administration	2,439,137	1,905,511
Plant services	5,262,526	2,981,729
Other general expenses	2,188,442	1,243,143
Total Expenses	29,858,261	25,465,405
Changes in Net Position	\$ (3,975,415)	\$ (1,074,427)

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$29.9 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$12.9 million because the cost was paid by those who benefited from the programs (\$0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$3.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$8.8 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, 2014

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

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 14,806,745	\$ (12,571,966)	\$ 13,821,871	\$ (11,783,807)
Instruction-related activities	2,289,124	(2,104,168)	2,352,541	(2,156,843)
Pupil services	2,872,287	(1,656,698)	3,160,610	(1,153,672)
Administration	2,439,137	(2,341,282)	1,905,511	(1,758,568)
Plant services	5,262,526	(5,241,789)	2,981,729	(2,931,399)
Other	2,188,442	(1,703,015)	1,243,143	(874,996)
Total	\$ 29,858,261	\$ (25,618,918)	\$ 25,465,405	\$ (20,659,285)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$12.9 million, which is an increase of \$3.9 million from last year (Table 4).

Table 4

	Fund Balance	
	June 30, 2014	June 30, 2013
General Fund	\$ 1,417,815	\$ 2,334,259
Cafeteria Fund	437,083	559,657
Deferred Maintenance Fund	198,300	199,572
Building Fund	660	1,233,411
Capital Facilities Fund	2,187,845	1,698,971
Special Reserve Fund for Capital Outlay Projects	951,156	794,597
Bond Interest and Redemption Fund	2,277,343	2,175,524
COP Capital Project Fund	5,170,111	-
COP Debt Service Fund	220,822	-
Total	\$ 12,861,135	\$ 8,995,991

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

The two primary funds' decreases are:

Our General Fund is our principal operating fund. The balance in the General Fund decreased \$916,444. This decrease is due to:

1. Reduction of State funding and ongoing deficit spending
2. Continued declining enrollment

Our Building Fund decreased \$1,232,751 due to the completion of District wide modernization and other construction projects at various school sites.

General Fund Budgetary Highlights

School districts in the State have experienced massive revenue reductions over the past several years due to the State's economic debacle that commenced in late 2008. In 2009, our District had a General Fund balance reserve of \$5.3 million or 22.8 percent. In order to survive the draconian revenue cuts of \$4 million to our District, the Governing Board made a decision to reduce the District expenditures by \$3 million and spend down our reserves. The concept was to only make reductions in programs to our students that were absolutely necessary while remaining solvent. This has proven to be a wise strategy.

This year, the District's General Fund decreased \$916,444 due to ongoing deficit spending and continued declining enrollment. In spite of this deficit spending, we have ended the year with a fund balance of \$1,417,815 or 5.82 percent of General Fund expenditures. There is a financial plan for improvement in the future years and is discussed on page 12.

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 except one. Our District obtained a Constitutional Advance from the County Treasurer in the amount of \$1.7 million to support our cash flow. In the prior year, we obtained a Constitutional Advance in the amount \$3.8 million and a Tax Revenue Anticipation Note (TRANS) in the amount of \$1.1 million for a total of \$4.9 million. Clearly, this reduced borrowing illustrates our District's improved cash flow.

Our District has made great progress with Siemens Industry, Inc. on a "produce" program wherein Siemens is in the process of the design and construction of a District-wide solar system. This system will substantially reduce our electrical expenditures by producing a majority of the electricity we require. Furthermore, it will be a great learning tool for our students. The board has authorized the issuance of a Certificate of Participation (COP) to finance this endeavor in the amount of \$5.8 million. Through our arrangement with Siemens Industry, Inc., we are guaranteed a certain amount of energy savings that will be greater than the repayment of the debt. The estimated net savings to our District is approximately \$100,000 annually. Completion of this project is estimated by late summer of 2015.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$42.7 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 \$0.4 million from last year.

Table 5

	Governmental Activities	
	2014	2013
Land and construction in process	\$ 686,793	\$ 956,404
Buildings and improvements	40,763,371	40,678,120
Equipment	1,287,150	1,538,393
Total	\$ 42,737,314	\$ 43,172,917

Long-Term Obligations

At the end of this year, the District had \$18.5 million in bonds outstanding versus \$19.4 million last year. At the end of the year, the District had \$29.2 million in long-term obligations. This consisted of general obligation (G.O.) bonds, other postemployment benefits, and compensated absences.

Table 6

	Governmental Activities	
	2014	2013
General obligation bonds (Financed with property taxes)	\$ 18,460,012	\$ 19,397,068
Premium on bonds	1,158,377	1,277,152
Other postemployment benefits	1,212,754	1,029,873
Compensated absences and other	186,821	99,196
Certificate of participation	5,810,000	-
Lease/purchase financing	2,340,000	-
Total	\$ 29,167,964	\$ 21,803,289

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Bear Valley Unified School District's student enrollment projection is expected to continue to decline for the next couple of years, albeit at a slower pace than previous 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 with actual State revenues expected to exceed forecasted revenues by \$2 billion for the 2014-2015 fiscal year. Additionally, the economic outlook for 2015-2016 looks very promising. According to the Legislative Analyst's Office, this will likely lead to increased revenues to local school districts for the years 2014-2015 and 2015-2016.

Although we deficit spent \$916,444 this year, our 1st Interim Financial Report for 2014-2015 projects reduced deficit spending of only \$250,000 in 2014-2015, \$143,000 in 2015-2016, and \$249,000 in 2016-2017. This is based on improved revenues associated with the Local Control Funding Formula for the current year. Furthermore, we substantially increased services to our students as identified in our District's Local Control Accountability Plan.

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 Walter_Con@bearvalleyusd.org.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 15,895,653
Receivables	2,241,058
Stores inventories	23,391
Prepaid Expenses	2,344
Capital assets	
Land and construction in process	686,793
Other capital assets	66,853,621
Less: Accumulated depreciation	(24,803,100)
Total Capital Assets	<u>42,737,314</u>
Total Assets	<u><u>60,899,760</u></u>
LIABILITIES	
Accounts payable	5,241,793
Accrued interest	379,386
Unearned revenue	59,518
Long-term obligations	
Current portion of long-term obligations	1,355,000
Noncurrent portion of long-term obligations	27,812,964
Total Long-Term Obligations	<u>29,167,964</u>
Total Liabilities	<u><u>34,848,661</u></u>
NET POSITION	
Net investment in capital assets	21,836,491
Restricted for:	
Debt service	2,118,779
Capital projects	2,187,845
Educational programs	515,231
Other activities	416,337
Unrestricted	(1,023,584)
Total Net Position	<u><u>\$ 26,051,099</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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 14,806,745	\$ 20,018	\$ 2,214,761	\$ (12,571,966)
Instruction-related activities:				
Supervision of instruction	617,570	-	179,671	(437,899)
Instructional library, media, and technology	76,195	-	-	(76,195)
School site administration	1,595,359	314	4,971	(1,590,074)
Pupil services:				
Home-to-school transportation	471,311	-	4,430	(466,881)
Food services	1,297,810	114,307	957,187	(226,316)
All other pupil services	1,103,166	11,567	128,098	(963,501)
General administration:				
Data processing	394,494	-	-	(394,494)
All other general administration	2,044,643	7,338	90,517	(1,946,788)
Plant services	5,262,526	9,215	11,522	(5,241,789)
Facility acquisition and construction	670,433	-	-	(670,433)
Ancillary services	222,397	-	-	(222,397)
Interest on long-term obligations	1,045,927	-	-	(1,045,927)
Other outgo	249,685	245,727	239,700	235,742
Total Governmental Activities	\$ 29,858,261	\$ 408,486	\$ 3,830,857	(25,618,918)
Total School District				
General revenues and subventions:				
				9,599,746
				2,050,214
				1,210,474
				7,802,553
				18,350
				962,166
				21,643,503
				(3,975,415)
				30,334,092
				(307,578)
				\$ 26,051,099

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	General Fund	Capital Facilities Fund	COP Capital Projects Fund
ASSETS			
Deposits and investments	\$ 5,151,820	\$1,635,627	\$ 5,170,111
Receivables	1,930,990	22,314	-
Due from other funds	-	552,527	-
Prepaid expenditures	2,344	-	-
Stores inventories	2,645	-	-
Total Assets	\$ 7,087,799	\$2,210,468	\$ 5,170,111
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,057,939	\$ 22,623	\$ -
Due to other funds	552,527	-	-
Unearned revenue	59,518	-	-
Total Liabilities	5,669,984	22,623	-
Fund Balances:			
Nonspendable	14,989	-	-
Restricted	515,231	2,187,845	5,170,111
Committed	-	-	-
Assigned	135,584	-	-
Unassigned	752,011	-	-
Total Fund Balances	1,417,815	2,187,845	5,170,111
Total Liabilities and Fund Balances	\$ 7,087,799	\$2,210,468	\$ 5,170,111

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 2,277,343	\$ 1,660,752	\$ 15,895,653
-	287,754	2,241,058
-	-	552,527
-	-	2,344
-	20,746	23,391
<u>\$ 2,277,343</u>	<u>\$ 1,969,252</u>	<u>\$ 18,714,973</u>

\$ -	\$ 161,231	\$ 5,241,793
-	-	552,527
-	-	59,518
<u>-</u>	<u>161,231</u>	<u>5,853,838</u>

-	20,746	35,735
2,277,343	637,819	10,788,349
-	198,300	198,300
-	951,156	1,086,740
-	-	752,011
<u>2,277,343</u>	<u>1,808,021</u>	<u>12,861,135</u>
<u>\$ 2,277,343</u>	<u>\$ 1,969,252</u>	<u>\$ 18,714,973</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

Total Fund Balance - Governmental Funds **\$ 12,861,135**

**Amounts Reported for Governmental Activities in the Statement
of Net Position is Different Because:**

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 67,540,414	
Accumulated depreciation is	<u>(24,803,100)</u>	
Total Capital Assets		42,737,314

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. (379,386)

Long-term obligations at year-end consist of:

General obligation bonds	16,763,217
Premium on bonds	1,158,377
Certificates of participation	5,810,000
Capital lease agreement	2,340,000
Other postemployment benefits (OPEB)	1,212,754
Compensated absences	186,821

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

	<u>1,696,795</u>	
Total Long-Term Obligations		<u>(29,167,964)</u>
Total Net Position - Governmental Activities		<u><u>\$ 26,051,099</u></u>

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Capital Facilities Fund	COP Capital Projects Fund
REVENUES			
Local Control Funding Formula	\$ 16,964,917	\$ -	\$ -
Federal sources	1,113,196	-	-
Other State sources	1,756,630	-	-
Other local sources	2,328,742	168,290	-
Total Revenues	22,163,485	168,290	-
EXPENDITURES			
Current			
Instruction	12,888,683	-	-
Instruction-related activities:			
Supervision of instruction	613,426	-	-
Instructional library, media, and technology	74,271	-	-
School site administration	1,586,524	-	-
Pupil services:			
Home-to-school transportation	839,428	-	-
Food services	1,271	-	-
All other pupil services	1,056,231	-	-
General administration:			
Data processing	360,594	-	-
All other general administration	1,409,730	14,793	419,067
Plant services	4,956,366	117,321	-
Facility acquisition and construction	-	726,519	-
Ancillary services	222,397	-	-
Other outgo	249,685	-	-
Debt service			
Principal	20,000	-	-
Interest and other	76,939	-	-
Total Expenditures	24,355,545	858,633	419,067
Excess (Deficiency) of Revenues			
Over Expenditures	(2,192,060)	(690,343)	(419,067)
OTHER FINANCING SOURCES (USES)			
Transfers in	97,290	1,179,217	-
Other sources	2,360,000	-	5,810,000
Transfers out	(1,181,674)	-	(220,822)
Net Financing Sources (Uses)	1,275,616	1,179,217	5,589,178
NET CHANGE IN FUND BALANCES	(916,444)	488,874	5,170,111
Fund Balances - Beginning	2,334,259	1,698,971	-
Fund Balances - Ending	\$ 1,417,815	\$ 2,187,845	\$ 5,170,111

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 16,964,917
-	1,011,296	2,124,492
9,415	81,370	1,847,415
2,076,942	372,048	4,946,022
<u>2,086,357</u>	<u>1,464,714</u>	<u>25,882,846</u>
-	-	12,888,683
-	-	613,426
-	-	74,271
-	-	1,586,524
-	-	839,428
-	1,269,418	1,270,689
-	-	1,056,231
-	-	360,594
-	60,000	1,903,590
-	5,590	5,079,277
-	1,234,911	1,961,430
-	-	222,397
-	-	249,685
1,195,000	-	1,215,000
789,538	-	866,477
<u>1,984,538</u>	<u>2,569,919</u>	<u>30,187,702</u>
<u>101,819</u>	<u>(1,105,205)</u>	<u>(4,304,856)</u>
-	223,279	1,499,786
-	-	8,170,000
-	(97,290)	(1,499,786)
-	125,989	8,170,000
<u>101,819</u>	<u>(979,216)</u>	<u>3,865,144</u>
<u>2,175,524</u>	<u>2,787,237</u>	<u>8,995,991</u>
<u>\$ 2,277,343</u>	<u>\$ 1,808,021</u>	<u>\$ 12,861,135</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
FOR THE YEAR ENDED JUNE 30, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$ 3,865,144
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which depreciation exceed capital outlays in the period.	
Depreciation expense	\$ (2,180,956)
Capital outlays	<u>1,745,353</u> (435,603)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$87,625.	
	(87,625)
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	1,195,000
Lease purchase agreement	<u>20,000</u> 1,215,000
Premiums on the issuance of bonds is amortized on the Statement of Activities over the life of the bonds as a component of interest expense in the Statement of Activities. This adjustment combines the net changes of the following balances:	
Amortization of debt premium	118,775
Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. For this fiscal year, the actual amount of the contribution was less that the annual required contribution.	
	(182,881)
Proceeds received from issuance of debt are a revenue in the governmental funds, but they increase long-term obligations in the Statement of Net Position and do not affect the Statement of Activities:	
Proceeds from Lease Purchase Agreement	(2,360,000)

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Proceeds received from Certificates of Participation is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

\$ (5,810,000)

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 \$40,281, and second, \$257,944 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(298,225)

Change in Net Position of Governmental Activities

\$ (3,975,415)

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2014

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 421,780
Receivables	199
Total Assets	<u>\$ 421,979</u>
 LIABILITIES	
Due to student groups	\$ 155,676
Due to bargaining units	266,303
Total Liabilities	<u>\$ 421,979</u>

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District. The component unit, although a legally separate tax-exempt entity, is reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District; the District is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; and the economic resources received from or held by an individual organization are significant to the District. The District has the following component unit:

The Public Property Financing Corporation of California's financial activity is presented in the financial statements as the COP Capital Projects Fund and the COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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).

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).

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 debt.

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.

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, 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.

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.

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, 2014

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, 2014

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, 2014, 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, 2014

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 \$5,238,192 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, 2014

Change in Accounting Principles

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$307,578. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 non-employer 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, non-employer 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).
- 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 non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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.

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 provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 15,895,653
Fiduciary funds	421,780
Total Deposits and Investments	<u>\$ 16,317,433</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 155,876
Cash in revolving	10,000
Investments	<u>16,151,557</u>
Total Deposits and Investments	<u><u>\$ 16,317,433</u></u>

Policies and Practices

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

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

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
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, 2014

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:

Investment Type	Fair Value	Weighted Average Maturity in Days
San Bernardino County Investment Pool	\$ 10,768,826	428
Short-Term Securities	5,390,933	N/A
	\$ 16,159,759	

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, 2014.

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, 2014, the District's bank balance of \$209,431 was fully insured.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Federal Government					
Categorical aid	\$ 198,702	\$ -	\$ 237,845	\$ 436,547	\$ -
State Government					
LCFF principal apportionment	951,584	-	-	951,584	-
Categorical aid	162,356	-	17,310	179,666	-
Lottery	192,475	-	-	192,475	-
Other State	2,273	-	-	2,273	-
Local Government					
Interest	4,296	1,433	352	6,081	199
Other Local Sources					
Other local	419,304	20,881	32,247	472,432	-
Total	<u>\$ 1,930,990</u>	<u>\$ 22,314</u>	<u>\$ 287,754</u>	<u>\$ 2,241,058</u>	<u>\$ 199</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 686,793	\$ -	\$ -	\$ 686,793
Construction in process	269,611	-	269,611	-
Total Capital Assets Not Being Depreciated	<u>956,404</u>	<u>-</u>	<u>269,611</u>	<u>686,793</u>
Capital Assets Being Depreciated				
Site improvements	8,661,304	1,968,944	-	10,630,248
Buildings and improvements	50,975,745	-	-	50,975,745
Furniture and equipment	5,201,608	46,020	-	5,247,628
Total Capital Assets Being Depreciated	<u>64,838,657</u>	<u>2,014,964</u>	<u>-</u>	<u>66,853,621</u>
Less Accumulated Depreciation				
Site improvements	3,995,977	516,275	-	4,512,252
Buildings and improvements	14,962,952	1,367,418	-	16,330,370
Furniture and equipment	3,663,215	297,263	-	3,960,478
Total Accumulated Depreciation	<u>22,622,144</u>	<u>2,180,956</u>	<u>-</u>	<u>24,803,100</u>
Governmental Activities Capital Assets, net	<u>\$ 43,172,917</u>	<u>\$ (165,992)</u>	<u>\$ 269,611</u>	<u>\$ 42,737,314</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,811,364
Food services	24,804
All other pupil services	35,272
Data processing	12,027
All other general administration	77,573
Plant services	219,916
Total Depreciation Expenses Governmental Activities	<u>\$ 2,180,956</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2014, between major funds are as follows:

	Due From
Due To	General
Capital Facilities Fund	Fund
	\$ 552,527

The balance of \$552,527 due to the Capital Facilities Fund from the General Fund resulted from a temporary loan and RDA monies transferred.

Operating Transfers

Transfer To	Transfer From			Total
	General Fund	COP Capital Projects Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 97,290	\$ 97,290
Capital Facilities Fund	1,179,217	-	-	1,179,217
Non-Major Governmental Funds	2,457	220,822	-	\$ 223,279
Total	\$ 1,181,674	\$ 220,822	\$ 97,290	\$ 1,499,786

The General Fund transferred to the Capital Facilities Fund for monies that should have been deposited by the County.	\$ 1,179,217
The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the bad debt of uncollectable Accounts Receivable.	2,457
The COP Capital Projects Fund transferred to the COP Debt Service Non-Major Governmental Fund monies for the cost of issuance of the COP.	220,822
The Special Reserve Non-Major Governmental 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.	90,000
The Cafeteria Non-Major Governmental Fund transferred to the General Fund for Child Nutrition's portion of the Employee Health and Benefit Pool.	7,290
	\$ 1,499,786

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Salaries and benefits	\$ 1,122,026	\$ -	\$ 1,753	\$ 1,123,779
LCFF principal apportionment	3,263,989	-	-	3,263,989
Vendor payables	671,924	22,623	159,478	854,025
Total	<u>\$ 5,057,939</u>	<u>\$ 22,623</u>	<u>\$ 161,231</u>	<u>\$ 5,241,793</u>

NOTE 7 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On February 27, 2013, the District issued \$1,100,000 Tax and Revenue Anticipation Notes bearing interest at two percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on October 1, 2013. By August 31, 2013, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

<u>Issue Date</u>	<u>Rate</u>	<u>Outstanding July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2014</u>
February 27, 2013	2%	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General obligation bonds	\$ 19,397,068	\$ 257,944	\$ 1,195,000	\$ 18,460,012	\$ 1,300,000
Premium on bonds	1,277,152	-	118,775	1,158,377	-
Certificate of Participation	-	5,810,000	-	5,810,000	-
Lease/purchase financing	-	2,360,000	20,000	2,340,000	55,000
Other postemployment benefits	1,029,873	298,783	115,902	1,212,754	-
Compensated absences	99,196	87,625	-	186,821	-
Total	<u>\$ 21,803,289</u>	<u>\$ 8,814,352</u>	<u>\$ 1,449,677</u>	<u>\$ 29,167,964</u>	<u>\$ 1,355,000</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, 2013	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2014	Due in One Year
2002 Series A	\$ 14,998,986	\$ 1,809,746	\$ 107,759	\$ 425,000	\$ 1,492,505	\$ 525,000
2006 Refunding	10,629,898	8,187,322	150,185	595,000	7,742,507	625,000
2002 Series B	10,000,000	9,400,000	-	175,000	9,225,000	150,000
	<u>\$ 35,628,884</u>	<u>\$ 19,397,068</u>	<u>\$ 257,944</u>	<u>\$ 1,195,000</u>	<u>\$ 18,460,012</u>	<u>\$ 1,300,000</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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 are to be used to 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, 2014, the principal balance outstanding (including accretion to date) is \$1,492,505. The maturities are summarized as follows:

<u>Fiscal Year</u>	<u>Principal Including Accretion to Date</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 504,648	\$ 20,352	\$ 525,000
2016	490,444	59,556	550,000
2017	497,413	102,587	600,000
Total	<u>\$ 1,492,505</u>	<u>\$ 182,495</u>	<u>\$ 1,675,000</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. The advance refunding qualifies as a defeasance of the previously issued bonds. As of June 30, 2014, the principal balance of the 2006 General Obligation Refunding Bonds outstanding (including accretion to date) is \$7,742,507. The maturities are summarized as follows:

<u>Fiscal Year</u>	<u>Principal Including Accretion to Date</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 625,000	\$ 298,100	\$ 923,100
2016	655,000	266,100	921,100
2017	690,000	232,475	922,475
2018	1,275,000	186,538	1,461,538
2019	1,385,000	119,763	1,504,763
2020-2022	3,112,507	1,613,333	4,725,840
Total	<u>\$ 7,742,507</u>	<u>\$ 2,716,309</u>	<u>\$ 10,458,816</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, the principal balance outstanding is \$9,225,000. The maturities are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 150,000	\$ 444,750	\$ 594,750
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
2020-2024	2,050,000	1,817,000	3,867,000
2025-2029	3,425,000	1,140,625	4,565,625
2030-2032	2,750,000	212,500	2,962,500
Total	<u>\$ 9,225,000</u>	<u>\$ 5,307,750</u>	<u>\$ 14,532,750</u>

Certificates of Participation

In October 2014, the Public Property Financing Corporation of California issued Certificates of Participation in the amount of \$5,810,000. 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, 2014, \$5,810,000 was outstanding.

The certificate of participation matures as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ -	\$ 345,816	\$ 345,816
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
2020-2024	580,000	1,152,938	1,732,938
2025-2029	1,035,000	993,838	2,028,838
2030-2034	1,625,000	729,838	2,354,838
2035-2039	2,345,000	305,544	2,650,544
Total	<u>\$ 5,810,000</u>	<u>\$ 4,512,622</u>	<u>\$ 10,322,622</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Lease/Purchase Financing

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

Fiscal Year	Principal	Interest to Maturity	Total
2015	\$ 55,000	\$ 75,670	\$ 130,670
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
2020-2024	835,000	251,286	1,086,286
2025-2029	1,030,000	95,950	1,125,950
Total	\$ 2,340,000	\$ 701,353	\$ 3,041,353

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2014, was \$297,952, and contributions made by the District during the year were \$115,902. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$51,494 and \$(50,663), respectively, which resulted in an increase to the net OPEB obligation of \$182,881. As of June 30, 2014, the net OPEB obligation was \$1,212,754. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

At June 30, 2014, the accumulated unpaid employee vacation amounted to \$186,821.

NOTE 9 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2014, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual*	Excess
General Fund	\$ 21,529,626	\$ 24,355,545	\$ 2,825,919

* Includes on behalf payments of \$540,566 and expenditures of \$2,360,000 related to the lease/purchase financing.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	COP Capital Project Fund	Bond Interest and Redemption Fund
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -
Stores inventories	2,645	-	-	-
Prepaid expenditures	2,344	-	-	-
Total Nonspendable	<u>14,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	515,231	-	-	-
Cafeteria program	-	-	-	-
Capital projects	-	2,187,845	5,170,111	-
Debt services	-	-	-	2,277,343
Total Restricted	<u>515,231</u>	<u>2,187,845</u>	<u>5,170,111</u>	<u>2,277,343</u>
Committed				
Deferred maintenance program	-	-	-	-
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned				
Capital projects	-	-	-	-
Deficit spending for future years	135,584	-	-	-
Total Assigned	<u>135,584</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned				
Reserve for economic uncertainties	752,011	-	-	-
Total Unassigned	<u>752,011</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,417,815</u>	<u>\$ 2,187,845</u>	<u>\$ 5,170,111</u>	<u>\$ 2,277,343</u>

Non-Major Governmental	
Funds	Total
\$ -	\$ 10,000
20,746	23,391
-	2,344
<u>20,746</u>	<u>35,735</u>
-	515,231
416,337	416,337
660	7,358,616
220,822	2,498,165
<u>637,819</u>	<u>10,788,349</u>
198,300	198,300
<u>198,300</u>	<u>198,300</u>
951,156	951,156
-	135,584
<u>951,156</u>	<u>1,086,740</u>
-	752,011
-	752,011
<u>\$ 1,808,021</u>	<u>\$ 12,861,135</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan. The Plan provides medical and vision insurance benefits to eligible retirees and dependents. Membership of the Plan consists of 20 retirees and beneficiaries currently receiving benefits, and 149 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 2013-2014, the District contributed \$115,902 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		51,494
Adjustment to annual required contribution		(50,663)
Annual OPEB cost (expense)		<u>298,783</u>
Contributions made		<u>(115,902)</u>
Increase in net OPEB obligation		182,881
Net OPEB obligation, beginning of year		<u>1,029,873</u>
Net OPEB obligation, end of year	\$	<u><u>1,212,754</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
2012	\$ 352,827	\$ 118,953	34%	\$ 839,105
2013	298,629	107,861	36%	1,029,873
2014	298,783	115,902	39%	1,212,754

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 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 12 – RISK MANAGEMENT

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

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, 2014

The following is a summary of the insurance policies carried by the District as of June 30, 2014:

<u>Insurance Program Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
<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 13 – EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Due to the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$765,182, \$752,484, and \$774,911, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS; a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the PEPRA, changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

As a result of the implementation of the PEPRA, new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$425,573, \$400,317, and \$394,568, respectively, and equal 100 percent of the required contributions for each year.

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 \$540,566 (5.541 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*.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

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, 2014.

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 15 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

During the year ended June 30, 2014, the District made payments of \$817,197 to SCSRM.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 16 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 30,334,092
Restatement/cost of issuance	<u>(307,578)</u>
Net Position - Beginning as Restated	<u>\$ 30,026,514</u>

REQUIRED SUPPLEMENTARY INFORMATION

BEAR VALLEY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Local Control Funding Formula	\$ 13,073,363	\$ 17,125,329	\$ 16,964,917	\$ (160,412)
Federal sources	1,165,059	1,183,067	1,113,196	(69,871)
Other State sources	1,210,902	1,984,132	1,756,630	(227,502)
Other local sources	317,100	312,703	2,328,742	2,016,039
Total Revenues ¹	15,766,424	20,605,231	22,163,485	1,558,254
EXPENDITURES				
Current				
Certificated salaries	8,902,902	9,988,057	9,783,001	205,056
Classified salaries	3,306,685	3,624,496	3,675,739	(51,243)
Employee benefits	3,879,267	3,959,104	4,514,992	(555,888)
Books and supplies	1,154,874	1,118,986	1,052,504	66,482
Services and operating expenditures	2,469,404	2,682,628	2,646,970	35,658
Capital outlay	20,000	35,715	2,395,715	(2,360,000)
Other outgo	(52,388)	120,640	189,685	(69,045)
Debt service - principal			20,000	(20,000)
Debt service - interest	-	-	76,939	(76,939)
Total Expenditures ¹	19,680,744	21,529,626	24,355,545	(2,825,919)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,914,320)	(924,395)	(2,192,060)	(1,267,665)
OTHER FINANCING SOURCES (USES)				
Transfers in	317,100	312,703	97,290	(215,413)
Other sources	-	-	2,360,000	2,360,000
Transfers out	(221,826)	(848,516)	(1,181,674)	(333,158)
Net Financing Sources (Uses)	95,274	(535,813)	1,275,616	1,811,429
NET CHANGE IN FUND BALANCE	(3,819,046)	(1,460,208)	(916,444)	543,764
Fund Balance - Beginning	2,334,259	2,334,259	2,334,259	-
Fund Balance - Ending	\$ (1,484,787)	\$ 874,051	\$ 1,417,815	\$ 543,764

¹ On behalf payments of \$540,566 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, 2014**

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%	11,601,369	21%

SUPPLEMENTARY INFORMATION

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 489,696
Title II, Part A, Improving Teacher Quality	84.367	14341	127,551
Title III, Limited English Proficient Student Program	84.365	14346	15,176
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	32,749
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	390,734
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	11,573
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	7,450
Total Special Education (IDEA) Cluster			<u>409,757</u>
Total U.S. Department of Education			<u>1,074,929</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13391	674,807
Especially Needy Breakfast	10.553	13526	241,154
Basic Breakfast	10.553	13525	15,403
Food Distribution	10.555	13391	79,932
Total Child Nutrition Cluster			<u>1,011,296</u>
Total U.S. Department of Agriculture			<u>1,011,296</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through CDE:			
Medi-Cal Billing Option	93.778	10013	4,350
Total U.S. Department of Health and Human Services			<u>4,350</u>
Total Federal Expenditures			<u>\$ 2,090,575</u>

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Kenneth Turney	President	2014
Mrs. Beverly Grabe	Clerk	2015
Mr. Randall Putz	Member	2015
Dr. Al Waner	Member	2014
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, 2014**

	Final Report	
	*Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	724.72	726.69
Fourth through sixth	546.01	546.03
Seventh and eighth	357.81	354.72
Ninth through twelfth	795.01	796.02
Total Regular ADA	<u>2,423.55</u>	<u>2,423.46</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.32	0.22
Ninth through twelfth	0.99	0.99
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.31</u>	<u>1.21</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	-	0.09
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>-</u>	<u>0.09</u>
Total ADA	<u>2,424.86</u>	<u>2,424.76</u>

*District revised the P-2 report on September 22, 2014

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87	Reduced	2013-14 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		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			57,269	180	-	Complied
Grade 8			57,269	180	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			66,957	180	-	Complied
Grade 10			66,957	180	-	Complied
Grade 11			66,957	180	-	Complied
Grade 12			66,957	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, 2014

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, 2014, Unaudited Actuals	\$ 1,580,272
Decrease in:	
Accounts receivable	<u>(162,457)</u>
Balance, June 30, 2014, Audited Financial Statement	<u><u>\$ 1,417,815</u></u>

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues	\$ 21,237,031	\$ 22,163,485	\$ 21,105,038	\$ 20,363,460
Other sources and transfers in	225,060	2,457,290	-	95,461
Total Revenues and Other Sources	21,462,091	24,620,775	21,105,038	20,458,921
Expenditures	21,861,565	24,355,545	20,951,535	21,255,097
Other uses and transfers out	246,913	1,181,674	1,015,071	77,795
Total Expenditures and Other Uses	22,108,478	25,537,219	21,966,606	21,332,892
DECREASE IN FUND BALANCE	\$ (646,387)	\$ (916,444)	\$ (861,568)	\$ (873,971)
ENDING FUND BALANCE	\$ 771,428	\$ 1,417,815	\$ 2,334,259	\$ 3,195,827
AVAILABLE RESERVES ²	\$ 719,719	\$ 752,011	\$ 1,414,971	\$ 890,224
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.26%	3.01%	6.58%	4.29%
LONG-TERM OBLIGATIONS	N/A	\$ 29,167,964	\$ 21,803,289	\$ 22,613,707
AVERAGE DAILY ATTENDANCE AT P-2	2,378	2,425	2,466	2,549

The General Fund balance has decreased by \$1,778,012 over the past two years. The fiscal year 2014-2015 budget projects a further decrease of \$646,387 (46 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 deficit in all of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have increased by \$6,554,257 over the past two years.

Average daily attendance has decreased by 124 over the past two years. An additional decline of 47 ADA is anticipated during fiscal year 2014-2015.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$540,566 have been excluded from the calculation of available reserves for fiscal year ending June 30, 2014.

See accompanying note to supplementary information.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS				
Deposits and investments	\$ 290,850	\$ 198,127	\$ 599	\$ 950,354
Receivables	286,718	173	61	802
Stores inventories	20,746	-	-	-
Total Assets	<u>\$ 598,314</u>	<u>\$ 198,300</u>	<u>\$ 660</u>	<u>\$ 951,156</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 161,231	\$ -	\$ -	\$ -
Fund Balances:				
Nonspendable	20,746	-	-	-
Restricted	416,337	-	660	-
Committed	-	198,300	-	-
Assigned	-	-	-	951,156
Total Fund Balances	<u>437,083</u>	<u>198,300</u>	<u>660</u>	<u>951,156</u>
Total Liabilities and Fund Balances	<u>\$ 598,314</u>	<u>\$ 198,300</u>	<u>\$ 660</u>	<u>\$ 951,156</u>

See accompanying note to supplementary information

COP Debt Service Fund	Total Non-Major Governmental Funds
\$ 220,822	\$ 1,660,752
-	287,754
-	20,746
<u>\$ 220,822</u>	<u>\$ 1,969,252</u>

<u>\$ -</u>	<u>\$ 161,231</u>
-------------	-------------------

-	20,746
220,822	637,819
-	198,300
-	951,156
<u>220,822</u>	<u>1,808,021</u>
<u>\$ 220,822</u>	<u>\$ 1,969,252</u>

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, 2014**

	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES				
Federal sources	\$ 1,011,296	\$ -	\$ -	\$ -
Other State sources	81,370	-	-	-
Other local sources	122,686	643	2,160	246,559
Total Revenues	1,215,352	643	2,160	246,559
EXPENDITURES				
Current				
Food services	1,269,418	-	-	-
General administration:				
All other general administration	60,000	-	-	-
Plant services	3,675	1,915	-	-
Facility acquisition and construction	-	-	1,234,911	-
Total Expenditures	1,333,093	1,915	1,234,911	-
Excess (Deficiency) of Revenues Over Expenditures	(117,741)	(1,272)	(1,232,751)	246,559
OTHER FINANCING SOURCES (USES)				
Transfers in	2,457	-	-	-
Transfers out	(7,290)	-	-	(90,000)
Net Financing Sources (Uses)	(4,833)	-	-	(90,000)
NET CHANGE IN FUND BALANCES	(122,574)	(1,272)	(1,232,751)	156,559
Fund Balances - Beginning	559,657	199,572	1,233,411	794,597
Fund Balances - Ending	\$ 437,083	\$ 198,300	\$ 660	\$ 951,156

See accompanying note to supplementary information

COP Debt Service Fund	Total Non-Major Governmental Funds
\$ -	\$ 1,011,296
-	81,370
-	372,048
-	<u>1,464,714</u>
-	1,269,418
-	60,000
-	5,590
-	1,234,911
-	<u>2,569,919</u>
-	<u>(1,105,205)</u>
220,822	223,279
-	<u>(97,290)</u>
<u>220,822</u>	<u>125,989</u>
220,822	(979,216)
-	2,787,237
<u>\$ 220,822</u>	<u>\$ 1,808,021</u>

BEAR VALLEY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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 current period were recorded as revenues but were unspent 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:		\$ 2,124,492
Medi-Cal Billing Option	93.778	<u>(33,917)</u>
Total per Schedule of Expenditures of Federal Awards		<u>\$ 2,090,575</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, 2014

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bear Valley Unified School District (the District) as of and for the year ended June 30, 2014, 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 12, 2014.

Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 12, 2014.

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.

Vannich, Tume, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2014



**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 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 (the District) major Federal programs for the year ended June 30, 2014. 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, 2014.

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.

Vannich, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2014



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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* 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, 2014.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. 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 opinions. 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, 2014.

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 in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes, see below
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing for work experience program related to continuation education, as the District does not operate this program.

Vannich, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

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>10.555, 10.553</u>	<u>Child Nutrition 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, 2014**

None reported.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

None reported.

BEAR VALLEY UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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, 2014, 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 12, 2014, on the financial statements of the District.

FINANCIAL CONDITION

Observation

The District has incurred deficit spending in the General Fund of \$916,444, \$861,568, \$873,971, \$424,395, and \$848,768 for the fiscal years 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 3.0 percent in the 2014 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.

District Response

While we recognize the ongoing deficit spending over the past several years, this was by design commencing in 2009 when the District had a 22.8 percent General Fund balance. Now that we have fiscally survived the worst, and there is solid evidence of improved funding to school districts for this 2014-2015 and 2015-2016, it is the intent of our District to eliminate our deficit spending with the 2nd Interim Report for 2014-2015 in March of 2015.

Although we deficit spent \$916,444 in 2013-2014, our 1st Interim Financial Report for 2014-2015 reflects reduced deficit spending of only \$250,000 in 2014-2015, \$143,000 in 2015-2016, and \$249,000 in 2016-2017. This is based on improved revenues associated with the Local Control Funding Formula for the current year. At the same time, the revenue projections for 2015-2016 and 2016-2017 are very conservative. It is anticipated we will be able to improve these revenue projections in January 2015 with the Governor's proposed 2015-2016 State budget. In the event we will not be able to improve these revenue projections, recommendations for expenditure reductions will be made to the board of trustees in an amount sufficient to eliminate the projected deficit spending. Additionally, we will explore possibilities of increased revenues from various sources.

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.

District Response

Associated Student Body (ASB) accounts and operations are typical areas in which school districts must devote time to ensure student funds are protected, accounts are handled in an appropriate manner, and cash is handled in an appropriate manner. To ensure proper operations, on-going education of ASB advisors and clerks is essential, written procedures must be in place and adhered to, and there must be student involvement.

Management realized during the year, and it has been noted in this report, that the District needs improvement in some of these areas. The District has already made efforts in the following areas:

- 1) We have sent ASB personnel to trainings to increase their knowledge and understanding of ASB operations,
- 2) The District has had several meetings with the high school ASB personnel and made recommendations for improvement and,
- 3) The District has contracted with the consulting side of Vavrinek, Trine, and Day & Co., LLP to perform and analyze operations and make recommendations.

In the future, we see written procedures in place and strictly adhered to by ASB personnel, the purchase of a more appropriate software accounting system, greater oversight by the District, and more student involvement. All of these will lead to greater controls being in place and ASB operations with greater fiscal integrity.

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.

District Response

We greatly appreciate our auditor's observation and recommendation in this area. We implemented this recommendation during the audit. Additionally, we have installed dual control safes in certain District locations to improve the security of cash handling.

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.

Vannich, Tume, Day & Co., LLP

Rancho Cucamonga, California
December 12, 2014