

**BELLEVUE UNION ELEMENTARY SCHOOL
DISTRICT**

**AUDIT REPORT
JUNE 30, 2017**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 TABLE OF CONTENTS
 FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL SECTION

Independent Auditors’ Report 1
 Management’s Discussion and Analysis..... 4
 Basic Financial Statements
 Government-wide Financial Statements
 Statement of Net Position 12
 Statement of Activities 13
 Fund Financial Statements
 Governmental Funds – Balance Sheet..... 14
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 15
 Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances..... 16
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund
 Balances to the Statement of Activities 17
 Fiduciary Funds – Statement of Net Position..... 19
 Notes to Financial Statements 20

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule 49
 Schedule of the District’s Proportionate Share of the Net Pension Liability - CalSTRS 50
 Schedule of the District’s Proportionate Share of the Net Pension Liability - CalPERS..... 51
 Schedule of District Contributions - CalSTRS 52
 Schedule of District Contributions - CalPERS..... 53
 Notes to Required Supplementary Information..... 54

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 55
 Schedule of Average Daily Attendance (ADA)..... 56
 Schedule of Instructional Time..... 57
 Schedule of Financial Trends and Analysis..... 58
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements..... 59
 Schedule of Charter Schools 60
 Combining Statements – Non-Major Governmental Funds
 Combining Balance Sheet 61
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... 62
 Local Education Agency Organization Structure 63
 Notes to Supplementary Information..... 64

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017**

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 66
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance..... 68
Report on State Compliance..... 70

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results 73
Financial Statement Findings..... 74
Federal Award Findings and Questioned Costs 79
State Award Findings and Questioned Costs..... 80
Summary Schedule of Prior Audit Findings 85

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Bellevue Union Elementary School District
Santa Rosa, 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 Bellevue Union Elementary School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Bellevue Union Elementary School 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. 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 entity'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 entity'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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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 Bellevue Union Elementary School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bellevue Union Elementary School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 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 15, 2017 on our consideration of Bellevue Union Elementary 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Bellevue Union Elementary School District's internal control over financial reporting and compliance.

Chudy White Associates

San Diego, California
December 15, 2017

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

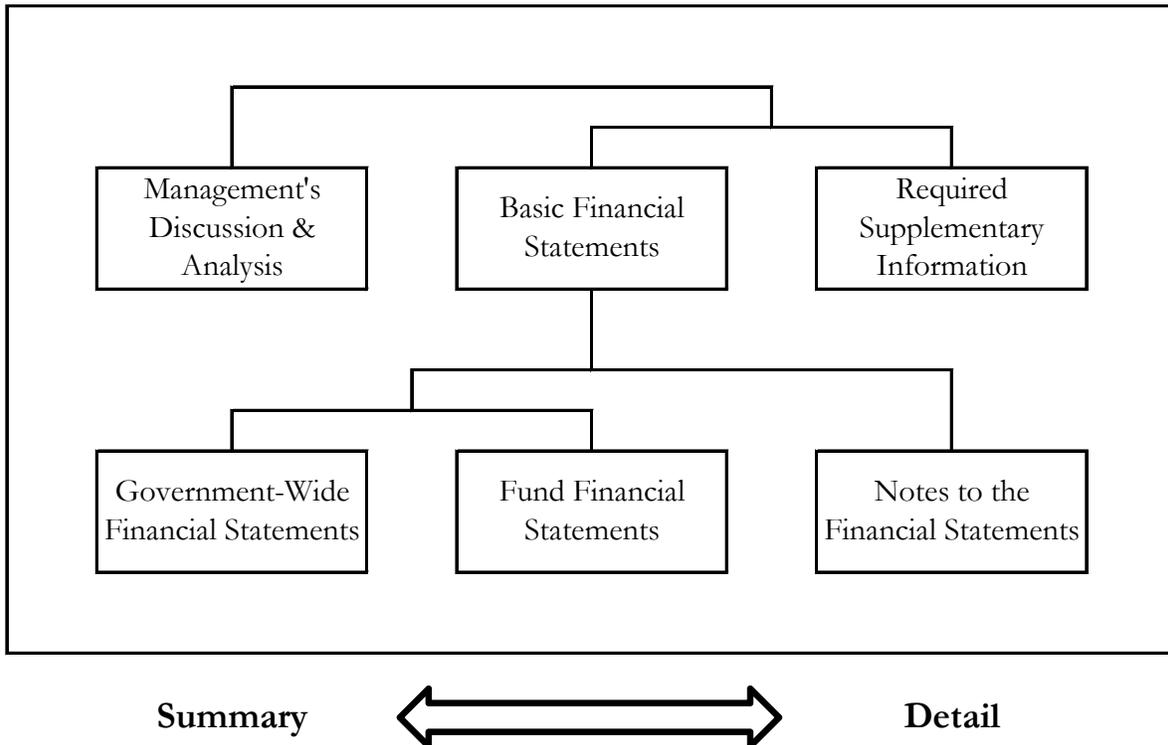
Our discussion and analysis of Bellevue Union Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$1,096,380 at June 30, 2017. This was a decrease of \$2,046,278 from the prior year.
- Overall revenues were \$28,599,209, which were exceeded by expenses of \$30,645,487.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$1,096,380 at June 30, 2017, as reflected in the table below. Of this amount, \$(13,597,736) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2017	2016	Net Change
ASSETS			
Current and other assets	\$ 9,019,885	\$ 19,114,392	\$ (10,094,507)
Capital assets	47,165,276	41,478,705	5,686,571
Total Assets	56,185,161	60,593,097	(4,407,936)
DEFERRED OUTFLOWS OF RESOURCES	5,391,371	1,747,195	3,644,176
LIABILITIES			
Current liabilities	3,744,960	5,468,296	(1,723,336)
Long-term liabilities	54,889,145	50,832,489	4,056,656
Total Liabilities	58,634,105	56,300,785	2,333,320
DEFERRED INFLOWS OF RESOURCES	1,846,047	2,896,849	(1,050,802)
NET POSITION			
Net investment in capital assets	10,384,193	8,903,558	1,480,635
Restricted	4,269,542	5,335,911	(1,066,369)
Unrestricted	(13,557,355)	(11,096,811)	(2,460,544)
Total Net Position	\$ 1,096,380	\$ 3,142,658	\$ (2,046,278)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2017	2016	Net Change
REVENUES			
Program revenues			
Operating grants and contributions	\$ 4,958,797	\$ 5,883,461	\$ (924,664)
General revenues			
Property taxes	10,613,504	9,707,951	905,553
Unrestricted federal and state aid	11,326,128	10,929,205	396,923
Other	1,700,780	1,020,181	680,599
Total Revenues	28,599,209	27,540,798	1,058,411
EXPENSES			
Instruction	17,023,047	15,036,047	1,987,000
Instruction-related services	1,881,410	2,276,258	(394,848)
Pupil services	4,189,001	3,554,118	634,883
General administration	1,910,599	1,424,770	485,829
Plant services	2,242,360	1,301,429	940,931
Ancillary and community services	469,030	582,949	(113,919)
Debt service	1,920,384	2,199,910	(279,526)
Other Outgo	(26,203)	(4,491)	(21,712)
Depreciation	1,035,859	849,130	186,729
Total Expenses	30,645,487	27,220,120	3,425,367
Change in net position	(2,046,278)	320,678	(2,366,956)
Net Position - Beginning	3,142,658	2,821,980	320,678
Net Position - Ending	\$ 1,096,380	\$ 3,142,658	\$ (2,046,278)

The cost of all our governmental activities this year was \$30,645,487 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$10,613,504 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$4,958,797).

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below we have presented the net cost of each of the District’s functions. 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.

	Net Cost of Services	
	2017	2016
Instruction	\$ 13,590,626	\$ 11,757,847
Instruction-related services	1,649,707	1,961,733
Pupil services	3,880,727	2,224,746
General administration	1,880,496	1,411,302
Plant services	1,976,972	1,295,287
Ancillary and community services	17,230	(172,812)
Debt service	1,920,384	2,199,910
Transfers to other agencies	(265,311)	(190,484)
Depreciation	1,035,859	849,130
Total Expenses	\$ 25,686,690	\$ 21,336,659

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$6,591,684, which is less than last year’s ending fund balance of \$15,327,379. The District’s General Fund had \$2,220,703 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Building Fund had \$5,684,340 less in operating revenues than expenditures for the year ended June 30, 2017. The District’s Bond Interest and Redemption Fund had \$391,735 less in operating revenues than expenditures for the year ended June 30, 2017.

CURRENT YEAR BUDGET 2016-17

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$47,165,276 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2017	2016	Net Change
CAPITAL ASSETS			
Land	\$ 4,316,397	\$ 4,316,397	\$ -
Construction in progress	5,786,740	6,885,183	(1,098,443)
Land improvements	7,031,949	6,508,785	523,164
Buildings & improvements	42,340,544	35,213,198	7,127,346
Furniture & equipment	1,048,137	877,774	170,363
Accumulated depreciation	(13,358,491)	(12,322,632)	(1,035,859)
Total Capital Assets	\$ 47,165,276	\$ 41,478,705	\$ 5,686,571

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$54,889,145 in long-term debt, an increase of \$4,056,656 from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2017	2016	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 35,907,093	\$ 37,297,968	\$ (1,390,875)
Capital leases	2,101,117	2,188,646	(87,529)
Early retirement incentive	-	9,557	(9,557)
Compensated absences	75,039	121,413	(46,374)
Net pension liability	17,726,801	12,596,917	5,129,884
Less: current portion of long-term debt	(920,905)	(1,382,012)	461,107
Total Long-term Liabilities	\$ 54,889,145	\$ 50,832,489	\$ 4,056,656

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2017-18 fiscal year.

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 Business Department, Bellevue Union Elementary School District, 3150 Education Drive, Santa Rosa, CA 95407.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,949,972
Accounts receivable	1,069,913
Capital assets, not depreciated	10,103,137
Capital assets, net of accumulated depreciation	37,062,139
Total Assets	56,185,161
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,391,371
Total Deferred Outflows of Resources	5,391,371
LIABILITIES	
Accrued liabilities	2,761,871
Unearned revenue	62,184
Long-term liabilities, current portion	920,905
Long-term liabilities, non-current portion	54,889,145
Total Liabilities	58,634,105
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,846,047
Total Deferred Inflows of Resources	1,846,047
NET POSITION	
Net investment in capital assets	10,384,193
Restricted:	
Capital projects	275,417
Debt service	3,023,476
Educational programs	674,134
All others	296,515
Unrestricted	(13,557,355)
Total Net Position	\$ 1,096,380

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Operating Grants and Contributions	Governmental Activities	Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 17,023,047	\$ 3,432,421		\$ (13,590,626)
Instruction-related services				
Instructional supervision and administration	108,196	104,496		(3,700)
Instructional library, media, and technology	221,513	-		(221,513)
School site administration	1,551,701	127,207		(1,424,494)
Pupil services				
Home-to-school transportation	1,613,152	-		(1,613,152)
Food services	1,094,522	9,798		(1,084,724)
All other pupil services	1,481,327	298,476		(1,182,851)
General administration				
Centralized data processing	150	-		(150)
All other general administration	1,910,449	30,103		(1,880,346)
Plant services	2,242,360	265,388		(1,976,972)
Community services	469,030	451,800		(17,230)
Interest on long-term debt	1,920,384	-		(1,920,384)
Other Outgo	(26,203)	239,108		265,311
Depreciation (unallocated)	1,035,859	-		(1,035,859)
Total Governmental Activities	\$ 30,645,487	\$ 4,958,797		(25,686,690)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes 8,082,944				
Property taxes, levied for debt service 2,464,190				
Property taxes, levied for other specific purposes 66,370				
Federal and state aid not restricted for specific purposes 11,326,128				
Interest and investment earnings 96,788				
Interagency revenues 143,376				
Miscellaneous 1,460,616				
Subtotal, General Revenue 23,640,412				
CHANGE IN NET POSITION (2,046,278)				
Net Position - Beginning 3,142,658				
Net Position - Ending \$ 1,096,380				

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,632,165	\$ 2,191,808	\$ 3,419,330	\$ 706,669	\$ 7,949,972
Accounts receivable	739,220	-	-	330,693	1,069,913
Due from other funds	98,753	-	-	422,014	520,767
Total Assets	\$ 2,470,138	\$ 2,191,808	\$ 3,419,330	\$ 1,459,376	\$ 9,540,652
LIABILITIES					
Accrued liabilities	\$ 1,329,597	\$ 964,681	\$ -	\$ 71,739	\$ 2,366,017
Due to other funds	201,014	-	-	319,753	520,767
Unearned revenue	1,775	-	-	60,409	62,184
Total Liabilities	1,532,386	964,681	-	451,901	2,948,968
FUND BALANCES					
Nonspendable	2,500	-	-	1,000	3,500
Restricted	279,972	1,227,127	3,419,330	966,094	5,892,523
Committed	-	-	-	40,381	40,381
Unassigned	655,280	-	-	-	655,280
Total Fund Balances	937,752	1,227,127	3,419,330	1,007,475	6,591,684
Total Liabilities and Fund Balances	\$ 2,470,138	\$ 2,191,808	\$ 3,419,330	\$ 1,459,376	\$ 9,540,652

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds \$ 6,591,684

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 60,523,767	
Accumulated depreciation	<u>(13,358,491)</u>	47,165,276

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(395,854)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 35,907,093	
Capital leases	2,101,117	
Compensated absences	75,039	
Net pension liability	<u>17,726,801</u>	(55,810,050)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 5,391,371	
Deferred inflows of resources related to pensions	<u>(1,846,047)</u>	3,545,324

Total Net Position - Governmental Activities \$ 1,096,380

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFE sources	\$ 17,546,410	\$ -	\$ -	\$ 1,259,042	\$ 18,805,452
Federal sources	1,247,745	-	186,393	879,223	2,313,361
Other state sources	2,018,584	-	14,734	676,027	2,709,345
Other local sources	1,137,503	137,031	2,473,809	331,155	4,079,498
Total Revenues	21,950,242	137,031	2,674,936	3,145,447	27,907,656
EXPENDITURES					
Current					
Instruction	14,993,376	-	-	1,272,613	16,265,989
Instruction-related services					
Instructional supervision and administration	101,551	-	-	-	101,551
Instructional library, media, and technology	204,376	-	-	3,290	207,666
School site administration	1,248,277	-	-	207,723	1,456,000
Pupil services					
Home-to-school transportation	1,610,661	-	-	2,491	1,613,152
Food services	-	-	-	1,155,073	1,155,073
All other pupil services	1,301,228	-	-	108,836	1,410,064
General administration					
Centralized data processing	150	-	-	-	150
All other general administration	1,816,191	-	-	37,311	1,853,502
Plant services	2,073,444	3,500	-	26,978	2,103,922
Facilities acquisition and maintenance	155,331	5,817,871	-	758,048	6,731,250
Ancillary services	-	-	-	-	-
Community services	469,030	-	-	-	469,030
Transfers to other agencies	4,700	-	-	12,001	16,701
Debt service					
Principal	87,529	-	2,200,000	-	2,287,529
Interest and other	105,101	-	866,671	-	971,772
Total Expenditures	24,170,945	5,821,371	3,066,671	3,584,364	36,643,351
Excess (Deficiency) of Revenues	(2,220,703)	(5,684,340)	(391,735)	(438,917)	(8,735,695)
Over Expenditures	(2,220,703)	(5,684,340)	(391,735)	(438,917)	(8,735,695)
Other Financing Sources (Uses)					
Transfers in	-	-	-	201,014	201,014
Transfers out	(201,014)	-	-	-	(201,014)
Net Financing Sources (Uses)	(201,014)	-	-	201,014	-
NET CHANGE IN FUND BALANCE					
Fund Balance - Beginning	(2,421,717)	(5,684,340)	(391,735)	(237,903)	(8,735,695)
Fund Balance - Ending	3,359,469	6,911,467	3,811,065	1,245,378	15,327,379
Fund Balance - Ending	\$ 937,752	\$ 1,227,127	\$ 3,419,330	\$ 1,007,475	\$ 6,591,684

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

**BELLEVUE UNION ELEMENTARY 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, 2017**

Net Change in Fund Balances - Governmental Funds \$ (8,735,695)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 6,722,430	
Depreciation expense:	<u>(1,035,859)</u>	5,686,571

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

2,287,529

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(96,583)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(852,029)

(continued on next page)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2017**

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: 46,374

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (434,906)

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 9,557

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 42,904

Change in Net Position of Governmental Activities \$ (2,046,278)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017**

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 43,785
Total Assets	\$ 43,785
LIABILITIES	
Due to student groups	\$ 43,785
Total Liabilities	\$ 43,785

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Bellevue Union Elementary School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-6 as mandated by the state and grades K-12 at the charter school. A reporting entity is comprised of the primary government, component units, 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. 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. The District has no such component units.

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of 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.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation**

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This 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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Charter Schools Special Revenue Fund: This fund may be used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's general fund. If an LEA uses this fund for any of a charter school's operating activities, it should use this fund for all of the charter school's operating activities.

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be 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: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds (continued)

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its use 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 results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus** (*continued*)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the 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 balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements 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 a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. 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.

H. 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.

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard’s primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Investment in county treasury	\$ 7,946,472	\$ -
Cash on hand and in banks	-	43,785
Cash in revolving fund	3,500	-
Total cash and investments	<u>\$ 7,949,972</u>	<u>\$ 43,785</u>

B. 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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Sonoma County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$7,986,397 and an amortized book value of \$7,946,472. The average weighted maturity for this pool is 569 days.

E. 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 investments in the County Treasury are not required to be rated. As of June 30, 2017, the pooled investments in the County Treasury were not rated.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

F. 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

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

	<u>Uncategorized</u>
Investment in county treasury	\$ 7,986,397
Total fair market value of investments	\$ 7,986,397

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 454,738	\$ 116,191	\$ 570,929
State Government			
Apportionment	2,126	58,070	60,196
Categorical aid	45,180	129,973	175,153
Lottery	140,565	11,024	151,589
Local Government			
Other local sources	96,611	15,435	112,046
Total	\$ 739,220	\$ 330,693	\$ 1,069,913

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,316,397	\$ -	\$ -	\$ 4,316,397
Construction in progress	6,885,183	-	1,098,443	5,786,740
Total Capital Assets not Being Depreciated	11,201,580	-	1,098,443	10,103,137
Capital assets being depreciated				
Land improvements	6,508,785	523,164	-	7,031,949
Buildings & improvements	35,213,198	7,127,346	-	42,340,544
Furniture & equipment	877,774	170,363	-	1,048,137
Total Capital Assets Being Depreciated	42,599,757	7,820,873	-	50,420,630
Less Accumulated Depreciation				
Land improvements	2,332,844	273,878	-	2,606,722
Buildings & improvements	9,660,799	693,054	-	10,353,853
Furniture & equipment	328,989	68,927	-	397,916
Total Accumulated Depreciation	12,322,632	1,035,859	-	13,358,491
Governmental Activities				
Capital Assets, net	\$ 41,478,705	\$ 6,785,014	\$ 1,098,443	\$ 47,165,276

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2017 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 201,014	\$ 201,014
Non-Major Governmental Funds	98,753	221,000	319,753
Total Due From Other Funds	\$ 98,753	\$ 422,014	\$ 520,767

Due from the General Fund to the Cafeteria Fund to cover costs related to the loss of Provision 2 status in July 2016 to which the District had not charged for paid meals.	\$ 201,014
Due from the Charter School Special Revenue Fund to the General Fund for workers' compensation insurance adjustment.	3,753
Due from the Child Development Fund to the General Fund for temporary borrowing for cash flow.	95,000
Due from the Cafeteria Fund to the Capital Facilities Fund for capital facility related projects.	221,000
Total	\$ 520,767

B. Operating Transfers

The individual interfund transfers for the year ended June 30, 2017 consisted of a \$201,014 transfer from the General Fund to the Cafeteria Fund to cover costs related to the loss of Provision 2 status in July 2016 to which the District had not charged for paid meals.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>		<u>Total Governmental Activities</u>	
			<u>District-Wide</u>	<u>District-Wide</u>	<u>District-Wide</u>	<u>District-Wide</u>
Payroll	\$ 67,060	\$ -	\$ 8,092	\$ -	\$ 75,152	\$ 75,152
Construction	-	964,681	48,651	-	1,013,332	1,013,332
Vendors payable	1,124,604	-	14,996	-	1,139,600	1,139,600
Unmatured interest	-	-	-	395,854	395,854	395,854
Other liabilities	137,933	-	-	-	137,933	137,933
Total	\$ 1,329,597	\$ 964,681	\$ 71,739	\$ 395,854	\$ 2,761,871	\$ 2,761,871

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2017 consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 1,135	\$ 21,959	\$ 23,094
State categorical sources	-	38,450	38,450
Local sources	640	-	640
Total	\$ 1,775	\$ 60,409	\$ 62,184

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 36,104,756	\$ 852,029	\$ 2,200,000	\$ 34,756,785	\$ 779,559
Unamortized premium	1,193,212	-	42,904	1,150,308	42,904
Total general obligation bonds	37,297,968	852,029	2,242,904	35,907,093	822,463
Capital leases	2,188,646	-	87,529	2,101,117	98,442
Early retirement incentive	9,557	-	9,557	-	-
Compensated absences	121,413	-	46,374	75,039	-
Net pension liability	12,596,917	5,129,884	-	17,726,801	-
Total	\$ 52,214,501	\$ 5,981,913	\$ 2,386,364	\$ 55,810,050	\$ 920,905

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the General Fund.
- Payments for early retirement incentives are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$75,039. This amount is included as part of long-term liabilities in the government-wide financial statements.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

The outstanding general obligation debt of the District at June 30, 2017 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2016	Additions	Deductions	Outstanding June 30, 2017
1997 CAB	1997	2021	5.1-5.8%	\$ 4,393,374	\$ 5,585,526	\$ 300,126	\$ 935,000	\$ 4,950,652
2000 CAB	2000	2024	5.4-6.3%	\$ 2,976,210	6,213,123	403,854	380,000	6,236,977
2008 Series A	2009	2033	4.25-7.0%	\$ 6,500,000	6,290,000	-	100,000	6,190,000
2011 Series A	2012	2036	11.41%	\$ 378,528	615,662	72,256	-	687,918
2011 Series B	2012	2029	5.00%	\$ 4,350,000	4,350,000	-	-	4,350,000
2011 Series C	2012	2042	6.94-7.25%	\$ 774,040	1,050,445	75,793	-	1,126,238
2014 Series A	2015	2045	3.0-5.0%	\$ 4,200,000	4,200,000	-	785,000	3,415,000
2014 Series B	2016	2037	2.0 - 4.0%	\$ 7,800,000	7,800,000	-	-	7,800,000
					\$ 36,104,756	\$ 852,029	\$ 2,200,000	\$ 34,756,785

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2017 were as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 779,559	\$ 1,915,091	\$ 2,694,650
2019	678,092	2,011,027	2,689,119
2020	741,420	2,101,136	2,842,556
2021	815,570	2,212,539	3,028,109
2022	884,914	2,316,039	3,200,953
2023 - 2027	4,586,615	9,038,223	13,624,838
2028 - 2032	8,354,678	3,543,319	11,897,997
2033 - 2037	2,743,014	4,708,780	7,451,794
2038 - 2042	3,724,876	4,775,174	8,500,050
2043 - 2046	3,265,000	238,525	3,503,525
Accretion	8,183,047	(8,183,047)	-
Total	\$ 34,756,785	\$ 24,676,806	\$ 59,433,591

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT (continued)

C. Capital Leases

The District entered into a capital lease agreement with City National Bank with an original cost of \$2,442,810 to install solar equipment at each school site. Title to the property will pass to the District upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2018	\$ 199,167
2019	205,887
2020	212,791
2021	197,676
2022	204,066
2023 - 2027	1,121,496
2028 - 2030	759,171
Total minimum lease payments	2,900,254
Less amount representing interest	(799,137)
Present value of minimum lease payments	<u>\$ 2,101,117</u>

D. Early Retirement Incentives

During the 2008-2009 fiscal year, the District adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees had five or more years of service under the State Teachers’ Retirement System (STRS) and retired during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. Certificated employees who had reached the age of 55 and had at least one year of CalSTRS service were eligible to participate. The early retirement incentive was paid off as of June 30, 2017.

E. Net Pension Liability

The District’s beginning net pension liability was \$12,569,917 and increased by \$5,129,884 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$17,726,801. See Note 10 for additional information regarding the net pension liability.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2017:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 2,500	\$ -	\$ -	\$ 1,000	\$ 3,500
Total non-spendable	2,500	-	-	1,000	3,500
Restricted					
Educational programs	279,972	-	-	394,162	674,134
Capital projects	-	1,227,127	-	275,417	1,502,544
Debt service	-	-	3,419,330	-	3,419,330
All others	-	-	-	296,515	296,515
Total restricted	279,972	1,227,127	3,419,330	966,094	5,892,523
Committed					
Other commitments	-	-	-	40,381	40,381
Total committed	-	-	-	40,381	40,381
Unassigned					
Reserve for economic uncertainties	639,104	-	-	-	639,104
Remaining unassigned	16,176	-	-	-	16,176
Total unassigned	655,280	-	-	-	655,280
Total	\$ 937,752	\$ 1,227,127	\$ 3,419,330	\$ 1,007,475	\$ 6,591,684

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 10 – PENSION PLANS

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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 13,436,669	\$ 3,729,711	\$ 1,717,154	\$ 1,277,082
PERS Pension	4,290,132	1,661,660	128,893	725,173
Total	\$ 17,726,801	\$ 5,391,371	\$ 1,846,047	\$ 2,002,255

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California State Teachers' Retirement System (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. 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, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, respectively, and 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 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,124,578 for the year ended June 30, 2017.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$673,453 to CalSTRS.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 13,436,669
State's proportionate share of the net pension liability associated with the District	7,650,382
Total	\$ 21,087,051

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.017 percent, which was an increase of 0.00243 percent from its proportion measured as of June 30, 2015.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$1,277,082. In addition, the District recognized pension expense and revenue of \$1,365,006 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,068,209	\$ -
Differences between expected and actual experience	-	327,773
Changes in proportion and differences between District contributions and proportionate share of contributions	1,536,924	1,389,381
District contributions subsequent to the measurement date	1,124,578	-
	<u>\$ 3,729,711</u>	<u>\$ 1,717,154</u>

The \$1,124,578 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 279,459	\$ 337,696
2019	279,459	337,696
2020	877,107	337,696
2021	656,800	337,696
2022	256,154	337,697
2023	256,154	28,673
	<u>\$ 2,605,133</u>	<u>\$ 1,717,154</u>

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Absolute Return	9%	2.90%
Cash/Liquidity	2%	-1.00%
	<u>100%</u>	

* 20-year geometric average

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	\$ 19,338,397	\$ 13,436,669	\$ 8,535,037

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (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 death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues 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, CA 95811.

Benefits provided

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

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 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$442,771 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$4,290,132 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.022 percent, which was an increase of 0.00102 percent from its proportion measured as of June 30, 2015.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$725,173. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 665,691	\$ -
Differences between expected and actual experience	184,517	-
Changes in assumptions	-	128,893
Changes in proportion and differences between District contributions and proportionate share of contributions	368,681	-
District contributions subsequent to the measurement date	442,771	-
	<u>\$ 1,661,660</u>	<u>\$ 128,893</u>

The \$442,771 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 351,616	\$ 67,838
2019	332,044	61,055
2020	361,489	-
2021	173,740	-
	<u>\$ 1,218,889</u>	<u>\$ 128,893</u>

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Years 11+**</u>
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
District's proportionate share of the net pension liability	\$ 6,400,901	\$ 4,290,132	\$ 2,532,501

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. 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, 2017.

B. 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, 2017.

C. Construction Commitments

As of June 30, 2017, the District had commitments with respect to unfinished capital projects.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers authorities (JPAs), the Redwood Empire Schools Insurance Group and the West County Transportation Agency. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 13 – SUBSEQUENT EVENT

On December 5, 2017, the District issued \$5,946,811 in 2017 Refunding General Obligation Bonds to refinance certain maturities of the District's outstanding Election of 2008 (Series A) and Election of 2008 (Series 2011C) Bonds. The 2017 Refunding General Obligation Bonds hold an interest rate ranging from 2.00% to 4.00% and mature on August 1, 2029.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 18,028,192	\$ 17,977,963	\$ 17,546,410	\$ (431,553)
Federal sources	1,320,232	1,216,286	1,247,745	31,459
Other state sources	1,290,952	1,378,969	2,018,584	639,615
Other local sources	1,646,488	1,529,175	1,137,503	(391,672)
Total Revenues	22,285,864	22,102,393	21,950,242	(152,151)
EXPENDITURES				
Certificated salaries	8,402,977	8,417,138	8,645,684	(228,546)
Classified salaries	2,505,482	2,933,319	3,007,514	(74,195)
Employee benefits	3,172,811	3,275,917	4,012,429	(736,512)
Books and supplies	1,231,346	1,010,509	983,765	26,744
Services and other operating expenditures	5,438,087	6,747,679	7,160,986	(413,307)
Capital outlay	225,872	104,425	163,237	(58,812)
Other outgo				
Excluding transfers of indirect costs	1,058,293	192,630	197,330	(4,700)
Total Expenditures	22,034,868	22,681,617	24,170,945	(1,489,328)
Excess (Deficiency) of Revenues				
Over Expenditures	250,996	(579,224)	(2,220,703)	(1,641,479)
Other Financing Sources (Uses)				
Transfers in	-	-	2,518,210	2,518,210
Transfers out	-	-	(2,719,224)	(2,719,224)
Net Financing Sources (Uses)	-	-	(201,014)	(201,014)
NET CHANGE IN FUND BALANCE	250,996	(579,224)	(2,421,717)	(1,842,493)
Fund Balance - Beginning	3,359,469	3,359,469	3,359,469	-
Fund Balance - Ending	\$ 3,610,465	\$ 2,780,245	\$ 937,752	\$ (1,842,493)

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
- CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.017%	0.014%	0.017%
District's proportionate share of the net pension liability	\$ 13,436,669	\$ 9,545,903	\$ 9,934,290
State's proportionate share of the net pension liability associated with the District	7,650,382	5,048,716	6,083,729
Total	<u>\$ 21,087,051</u>	<u>\$ 14,594,619</u>	<u>\$ 16,018,019</u>
District's covered payroll	\$ 8,604,873	\$ 8,102,865	\$ 7,166,888
District's proportionate share of the net pension liability as a percentage of its covered payroll	156.2%	117.8%	138.6%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.022%	0.021%	0.017%
District's proportionate share of the net pension liability	\$ 4,290,132	\$ 3,051,014	\$ 1,963,971
District's covered payroll	\$ 3,183,783	\$ 2,613,482	\$ 1,885,925
District's proportionate share of the net pension liability as a percentage of its covered payroll	134.7%	116.7%	104.1%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,124,578	\$ 879,212	\$ 691,134
Contributions in relation to the contractually required contribution*	(1,124,578)	(879,212)	(691,134)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,604,873	\$ 8,102,865	\$ 7,166,888
Contributions as a percentage of covered payroll	13.07%	10.85%	9.64%

*Amounts do not include on behalf contributions

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 442,771	\$ 309,043	\$ 269,714
Contributions in relation to the contractually required contribution	(442,771)	(309,043)	(269,714)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,183,783	\$ 2,613,482	\$ 1,885,925
Contributions as a percentage of covered payroll	13.91%	11.82%	14.30%

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District’s budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s proportion (percentage) of the collective net pension liability, the District’s proportionate share (amount) of the collective net pension liability, the District’s covered payroll, the District’s proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered payroll, and the pension plan’s fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District’s covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District’s covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 8,417,138	\$ 8,645,684	\$ 228,546
Classified salaries	\$ 2,933,319	\$ 3,007,514	\$ 74,195
Employee benefits	\$ 3,275,917	\$ 4,012,429	\$ 736,512
Services and other operating expenditures	\$ 6,747,679	\$ 7,160,986	\$ 413,307
Capital outlay	\$ 104,425	\$ 163,237	\$ 58,812
Other outgo			
Excluding transfers of indirect costs	\$ 192,630	\$ 197,330	\$ 4,700

**SUPPLEMENTARY
INFORMATION**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 588,966
Title I, School Improvement Grant (SIG) for QEIA Schools	84.377	14971	5,506
Title II, Part A, Teacher Quality	84.367	14341	85,890
Title III			
Title III, English Learner Student Program	84.365	14346	132,758
Title III, Immigrant Education Program	84.365	15146	7,910
Subtotal Title III			140,668
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	328,975
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	23,031
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	48,066
Subtotal Special Education Cluster			400,072
Total U. S. Department of Education			1,221,102
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	2,168
School Breakfast Program - Needy	10.553	13526	235,061
National School Lunch Program	10.555	13391	603,120
USDA Commodities	10.555	*	37,177
Subtotal Child Nutrition Cluster			877,526
NSLP Equipment Assistance Grants	10.579	14906	97
Total U. S. Department of Agriculture			877,623
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	28,243
Total U. S. Department of Health & Human Services			28,243
Total Federal Expenditures			\$ 2,126,968

* - Pass-Through Entity Identifying Number not available or not applicable

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	991.61	991.61	983.29	983.29
Special Education - Nonpublic Schools	2.92	2.81	3.26	3.26
Extended Year Special Education - Nonpublic Schools	0.17	0.17	0.17	0.17
Total TK/K through Third	994.70	994.59	986.72	986.72
Fourth through Sixth				
Regular ADA	661.11	661.11	680.09	680.09
Special Education - Nonpublic Schools	5.20	5.20	5.40	5.40
Extended Year Special Education - Nonpublic Schools	0.28	0.28	0.28	0.28
Total Fourth through Sixth	666.59	666.59	685.77	685.77
Seventh through Eighth				
Special Education - Nonpublic Schools	0.58	-	0.42	-
Extended Year Special Education - Nonpublic Schools	0.10	-	0.10	-
Total Seventh through Eighth	0.68	-	0.52	-
TOTAL SCHOOL DISTRICT	1,661.97	1,661.18	1,673.01	1,672.49

STONY POINT ACADEMY

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
CHARTER SCHOOL				
CLASSROOM-BASED CHARTER SCHOOL				
Classroom-based Seventh through Eighth				
Regular ADA	79.32	79.32	79.75	79.75
Special Education - Nonpublic Schools	-	0.58	-	0.42
Extended Year Special Education - Nonpublic Schools	-	0.10	-	0.10
Total Classroom-based Seventh through Eighth	79.32	80.00	79.75	80.27
Classroom-based Ninth through Twelfth				
Regular ADA	41.00	41.00	41.02	41.02
Total Classroom-based Ninth through Twelfth	41.00	41.00	41.02	41.02
TOTAL CLASSROOM-BASED CHARTER SCHOOL	120.32	121.00	120.77	121.29
NON CLASSROOM-BASED CHARTER SCHOOL				
Non Classroom-based TK/K through Third				
Regular ADA	3.00	3.00	3.00	3.00
Total Non Classroom-based TK/K through Third	3.00	3.00	3.00	3.00
Non Classroom-based Fourth through Sixth				
Regular ADA	4.00	4.00	2.00	2.00
Total Non Classroom-based Fourth through Sixth	4.00	4.00	2.00	2.00
Non Classroom-based Seventh through Eighth				
Regular ADA	1.08	1.08	2.08	2.08
Total Non Classroom-based Seventh through Eighth	1.08	1.08	2.08	2.08
Non Classroom-based Ninth through Twelfth				
Regular ADA	2.63	2.63	2.46	2.46
Total Non Classroom-based Ninth through Twelfth	2.63	2.63	2.46	2.46
TOTAL NON CLASSROOM-BASED CHARTER SCHOOL	10.71	10.71	9.54	9.54

Refer to Finding #2017-007 related to revised attendance reports.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	Minutes Requirement	2016-17		Status
		Actual Minutes	Number of Days	
Kindergarten	36,000	57,875	180	Complied
Grade 1	50,400	54,275	180	Complied
Grade 2	50,400	54,275	180	Complied
Grade 3	50,400	54,275	180	Complied
Grade 4	54,000	54,275	180	Complied
Grade 5	54,000	54,275	180	Complied
Grade 6	54,000	54,275	180	Complied

STONY POINT ACADEMY

Grade Level	Minutes Requirement	2016-17		Status
		Actual Minutes	Number of Days	
Grade 7	54,000	75,600	180	Complied
Grade 8	54,000	75,600	180	Complied
Grade 9	64,800	79,365	180	Complied
Grade 10	64,800	79,365	180	Complied
Grade 11	64,800	79,365	180	Complied
Grade 12	64,800	79,365	180	Complied

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	2018 (Budget)	2017	2016	2015
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 21,209,566	\$ 24,468,452	\$ 23,870,412	\$ 19,881,434
Expenditures And Other Financing Uses	21,093,217	26,890,169	24,449,473	21,903,741
Net change in Fund Balance	<u>\$ 116,349</u>	<u>\$ (2,421,717)</u>	<u>\$ (579,061)</u>	<u>\$ (2,022,307)</u>
Ending Fund Balance	<u>\$ 1,054,101</u>	<u>\$ 937,752</u>	<u>\$ 3,359,469</u>	<u>\$ 3,938,530</u>
Available Reserves*	<u>\$ 705,118</u>	<u>\$ 655,280</u>	<u>\$ 2,737,259</u>	<u>\$ 3,143,314</u>
Available Reserves As A Percentage Of Outgo	<u>3.34%</u>	<u>2.44%</u>	<u>11.20%</u>	<u>14.35%</u>
Long-term Debt	<u>\$ 54,889,145</u>	<u>\$ 55,810,050</u>	<u>\$ 52,214,501</u>	<u>\$ 31,015,694</u>
Average Daily Attendance At P-2	<u>1,793</u>	<u>1,793</u>	<u>1,707</u>	<u>1,727</u>

The General Fund balance has decreased by \$3,000,778 over the past two years. The fiscal year 2017-18 budget projects an increase of \$116,349. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating surplus during the 2017-18 fiscal year. Total long term obligations have increased by \$24,794,356 over the past two years.

Average daily attendance has increased by 66 ADA over the past two years. No change in ADA is anticipated during the 2017-18 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

There are no reconciling items from the annual financial and budget report with the audited financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017**

Charter School	Status	Included in Audit Report
Stony Point Academy	Active	Yes

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2017**

	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 332,031	\$ 57,416	\$ 208,726	\$ 40,381	\$ 68,109	\$ 6	\$ 706,669
Accounts receivable	84,529	111,108	135,056	-	-	-	330,693
Due from other funds	-	-	201,014	-	221,000	-	422,014
Total Assets	\$ 416,560	\$ 168,524	\$ 544,796	\$ 40,381	\$ 289,109	\$ 6	\$ 1,459,376
LIABILITIES							
Accrued liabilities	\$ 11,716	\$ 34,953	\$ 11,372	\$ -	\$ 13,698	\$ -	\$ 71,739
Due to other funds	3,753	95,000	221,000	-	-	-	319,753
Unearned revenue	7,050	38,450	14,909	-	-	-	60,409
Total Liabilities	22,519	168,403	247,281	-	13,698	-	451,901
FUND BALANCES							
Non-spendable	-	-	1,000	-	-	-	1,000
Restricted	394,041	121	296,515	-	275,411	6	966,094
Committed	-	-	-	40,381	-	-	40,381
Total Fund Balances	394,041	121	297,515	40,381	275,411	6	1,007,475
Total Liabilities and Fund Balance	\$ 416,560	\$ 168,524	\$ 544,796	\$ 40,381	\$ 289,109	\$ 6	\$ 1,459,376

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017**

	Charter Schools Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ 1,259,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,259,042
Federal sources	1,600	-	877,623	-	-	-	879,223
Other state sources	169,538	440,591	65,898	-	-	-	676,027
Other local sources	157,972	122	1,643	411	171,007	-	331,155
Total Revenues	1,588,152	440,713	945,164	411	171,007	-	3,145,447
EXPENDITURES							
Current							
Instruction	832,021	440,592	-	-	-	-	1,272,613
Instruction-related services							
Instructional library, media, and technology	3,290	-	-	-	-	-	3,290
School site administration	207,723	-	-	-	-	-	207,723
Pupil services							
Home-to-school transportation	2,491	-	-	-	-	-	2,491
Food services	2,454	-	1,152,619	-	-	-	1,155,073
All other pupil services	108,836	-	-	-	-	-	108,836
General administration							
All other general administration	37,311	-	-	-	-	-	37,311
Plant services	6,218	-	2,685	-	18,075	-	26,978
Facilities acquisition and maintenance	-	-	-	-	758,048	-	758,048
Transfers to other agencies	(6,233)	-	-	-	18,234	-	12,001
Total Expenditures	1,194,111	440,592	1,155,304	-	794,357	-	3,584,364
Excess (Deficiency) of Revenues Over Expenditures	394,041	121	(210,140)	411	(623,350)	-	(438,917)
Other Financing Sources (Uses)							
Transfers in	-	-	201,014	-	-	-	201,014
Net Financing Sources (Uses)	-	-	201,014	-	-	-	201,014
NET CHANGE IN FUND BALANCE	394,041	121	(9,126)	411	(623,350)	-	(237,903)
Fund Balance - Beginning	-	-	306,641	39,970	898,761	6	1,245,378
Fund Balance - Ending	\$ 394,041	\$ 121	\$ 297,515	\$ 40,381	\$ 275,411	\$ 6	\$ 1,007,475

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2017**

The Bellevue Union Elementary School District was established in 1949. The District is in Santa Rosa, California. There was no change in District boundaries during the year. The District operates four elementary schools and one charter school.

GOVERNING BOARD

Member	Office	Term Expires
Victor Ayala	President	December 2018
Stephanie Merida – Grant	Vice-President	December 2018
Lisa Reyes	Trustee	December 2018
Joy Bruce	Trustee	December 2020
Adele Walker	Trustee	December 2020

DISTRICT ADMINISTRATORS

Alicia Henderson
*Superintendent**

Joel Dontos
*Chief Business Official**

*As of June 30, 2017

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2017 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2017.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 2,313,361
Qualified School Construction Bond Interest Subsidy	N/A	<u>(186,393)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 2,126,968</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

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

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 46208*. During the year ended June 30, 2017, the District participated in the Longer Day incentive funding program. As of June 30, 2017, the District had not yet met its target funding.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

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.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Bellevue Union Elementary School District
Santa Rosa, 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 Bellevue Union Elementary School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Bellevue Union Elementary School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control over Financial Reporting

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. (Findings #2017-001 through #2017-006)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bellevue Union Elementary School District's financial statements are free of 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*.

Bellevue Union Elementary School District's Response to Findings

Bellevue Union Elementary School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Bellevue Union Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
December 15, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Bellevue Union Elementary School District
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited Bellevue Union Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bellevue Union Elementary School District's major federal programs for the year ended June 30, 2017. Bellevue Union Elementary 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

Opinion on Each Major Federal Program

In our opinion, Bellevue Union Elementary 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, 2017.

Report on Internal Control Over Compliance

Management of Bellevue Union Elementary 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 Bellevue Union Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bellevue Union Elementary School District's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 15, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Bellevue Union Elementary School District
Santa Rosa, California

Report on State Compliance

We have audited Bellevue Union Elementary School District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 that could have a direct and material effect on each of Bellevue Union Elementary School District's state programs for the fiscal year ended June 30, 2017, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bellevue Union Elementary School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Bellevue Union Elementary 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 with the requirements referred to above. However, our audit does not provide a legal determination of Bellevue Union Elementary School District's compliance with those requirements.

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

Corporate Office:
348 Olive Street
San Diego, CA 92103

toll-free: 877.220.7229
tel: 619.270.8222
fax: 619.260.9085
www.christywhite.com

*Licensed by the California
State Board of Accountancy*

Opinion on State Compliance

In our opinion, Bellevue Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2017-007 and #2017-008. Our opinion on state compliance is not modified with respect to these matters.

Bellevue Union Elementary School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Bellevue Union Elementary School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

Procedures Performed (continued):

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Yes
Mode of Instruction; for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study; for charter schools	No
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA reported did not meet the threshold requiring testing.

We did not perform testing for non-classroom based instruction/independent study because the ADA reported did not meet the threshold requiring testing.

Christy White Associates

San Diego, California
December 15, 2017

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</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>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2017-001: INTERNAL CONTROLS OVER PAYROLL (30000)

Criteria: Maintaining sound internal control procedures over payroll require the District to ensure that terminated employees are removed from the payroll system on a timely basis and that all personnel files are complete.

Condition: One (1) out of five (5) employees selected for testing was not removed from the payroll system on a timely basis. One (1) out of twenty-five (25) employees selected for testing did not have a personnel file.

Context/Perspective: The audit included an evaluation of internal control procedures over payroll at the District Office.

Effect: The potential for irregularities and missing documentation in payroll.

Cause: Insufficient controls over payroll terminations and personnel files.

Recommendation: We recommend that procedures be implemented to ensure that terminated employees are removed from the payroll system in a timely manner. Communication between human resources and payroll should occur regularly to ensure that the payroll department knows to remove terminated employees. Additionally, we recommend that procedures be implemented to ensure that each District employee has a complete personnel file.

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-002: INTERNAL CONTROLS OVER CASH DISBURSEMENTS (30000)

Criteria: Expenditures processed through the warrant disbursement process should obtain proper approval and funds should be encumbered prior to purchases of goods or services. For proper budgeting practices, the District should also be monitoring any open purchase orders to verify total approved purchase order amount is not exceeded. In addition, purchases should be properly coded to allocate expenditures accurately to the District's various educational programs.

Condition: During our testing of internal control procedures related to cash Disbursements at the district level we noted deficiencies in internal controls regarding best business practices.

We noted the following internal control weaknesses:

- Six (6) out of twenty-five (25) disbursements tested had purchase orders dated after the invoice date.
- Three (3) out of twenty-five (25) disbursements selected for testing were unable to be tested because the supporting documentation was not available to review.
- Two expenditures related to the educating of a Stony Point Academy Non-Public School student was incorrectly coded to the General Fund rather than the Charter School Fund. These total of these two expenditures were \$5,772.29

Perspective/Context: The audit included an evaluation of internal control procedures over cash disbursements at the District Office.

Cause: Inadequate controls and monitoring over the cash disbursement cycle. Supporting documentation for expenditures were kept in multiple locations within the District Office rather than one centralized location.

Effect: The possibility to circumvent the purchasing process and not encumber funds or obtain required approvals. Potential for inappropriate or unapproved use of District funds and errors in accounting records related to expenditures.

Recommendation: We recommend that all purchases be substantiated by completed purchase orders before the disbursement of funds are made. We recommend that all supporting documentation for cash disbursements be easily accessible and readily available. Filing of Accounts Payable back-up should be in a centralized location so that all support is easy to access and is available for review. Supporting documentation for cash disbursements should include the following (at a minimum): 1) copy of warrant, 2) complete itemized invoice or receipt, and 3) purchase order.

District Response: The District agrees with the finding and has already begun implementing the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-003: CASH RECEIPTS INTERNAL CONTROL (30000)

Criteria: Proper internal controls over cash receipts require proper supporting documentation to substantiate the expending or receipt of District funds.

Condition: During our testing of internal control procedures related to cash receipting at the district level we noted deficiencies in internal controls regarding best business practices.

We noted the following internal control weaknesses:

- Seven (7) out of twenty-five (25) receipts selected for testing did not have supporting documentation to verify the receiving of these funds and support depositing of these funds.

Perspective/Context: The audit included an evaluation of internal control procedures over cash receipts at the District Office.

Cause: Inadequate controls and monitoring over the cash receipt cycle.

Effect: Deficiencies in internal controls related to cash receipting procedures could lead to inaccuracies or increase the risk of misappropriation of funds.

Recommendation: We recommend to management to implement a process for issuing sequentially numbered receipts or log book for all local proceeds running through the District Office and related sites. If a receipt book is used, three copies of each receipt should be produced (customer copy, deposit backup copy, receipt book copy) in order for a proper audit trail to be established. In addition, this will help ensure all customers receive proof of payment once they have paid, which will help avoid any subsequent discrepancies. Proper cash receipting helps to mitigate the risk related to any missing or misplaced proceeds.

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-004: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Maintaining sound internal control procedures over bank reconciliations and bank accounts reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies related to the ASB bank account signors and the bank reconciliation procedures:

Taylor Mountain Elementary School

- ASB bookkeeper is one of the two authorized signors on the ASB bank account.
- There is no review of the monthly bank reconciliations.

In addition, bank reconciliations for June 30, 2017 were not prepared for Stony Point Academy and Kawana Elementary School.

Perspective/Context: The audit included testing of the District's associated student body accounts.

Cause: Insufficient controls over the associated student body accounts.

Effect: The potential for irregularities in accounting to go undetected.

Recommendation: We recommend that the District implement procedures to ensure the preparation and review of bank reconciliations is done in a timely manner. Additionally, we recommend the authorized signors of the ASB bank account be an employee that does not have direct access to the ASB financials

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-005: BANK RECONCILIATIONS (30000)

Criteria: Internal controls over bank accounts and reconciliations are important to ensure that the District's financial statements are free of material misstatement.

Condition: During our testing of the District's bank accounts and reconciliations, we noted that the cafeteria bank account did not have a proper bank reconciliation prepared.

Perspective/Context: Testing of District's bank accounts and reconciliations for the year under audit.

Cause: Lack of oversight over District bank accounts and reconciliations.

Effect: Risk of material misstatement.

Recommendation: Sound internal controls and oversight should be put into place to review all activity related to the District's bank accounts and reconciliations.

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

FINDING #2017-006: CONTROLS OVER CHANGE ORDERS (30000)

Criteria: Internal controls over change orders and District Board Policy require that all change orders be presented to the Board for review and approval.

Condition: During our testing, we identified that change orders executed during the 2016-17 were not presented to the Board for review and approval.

Perspective/Context: Review of change orders executed during the 2016-17 fiscal year.

Cause: Lack of oversight over construction related to change orders.

Effect: Potential for excessive change orders to be processed without the Boards approval and review if projects should be re-bid.

Recommendation: Sound internal controls and oversight should be put into place to review and approve change orders. A District representative should review all change orders and present to the Board for final approval before processing payment. We recommend that support for Board approval of change orders accompany the payment of change orders.

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2017.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2017-007: P2 AND ANNUAL ATTENDANCE REPORTING (10000)

State Funding Source: Local Control Funding Formula (LCFF) Entitlement

Criteria: The Second Period and Annual Attendance Reports submitted to the California Department of Education (CDE) should reconcile to the supporting documentation that support the local education agency’s Average Daily Attendance (ADA) in accordance with *California Education Code Section 46000 et seq.* Amounts reported to the CDE for the Second Period and Annual Attendance Reports are supported by written contemporaneous documentation that is accurate and reported in accordance with *California Education Codes Section 41601.*

Condition: During the testing of Average Daily Attendance (ADA) for the District’s Second Period and Annual Attendance Reports, we noted that the ADA for a Stony Point Academy student was incorrectly reported on the Bellevue Union School District P2 and Annual Attendance Report. This resulted in an overstatement of ADA for Bellevue Union School District’s P2 and Annual Attendance Report and an understatement of the P2 and Annual Attendance Reports for Stony Point Academy. The auditor noted the following:

Second Period Attendance Report

- **Special Education – Nonpublic Schools:** Total net overstatement of 0.58 ADA, resulting from 0.58 ADA overstated in grades 7-8.
- **Extended Year Special Education – Nonpublic Schools:** Total net overstatement of 0.10 ADA, resulting from 0.10 ADA overstated in grades 7-8.

Annual Attendance Report

- **Special Education – Nonpublic Schools:** Total net overstatement of 0.42 ADA, resulting from 0.42 ADA overstated in grades 7-8.
- **Extended Year Special Education – Nonpublic Schools:** Total net overstatement of 0.10 ADA, resulting from 0.10 ADA overstated in grades 7-8.

During the testing of Average Daily Attendance (ADA) for the Stony Point Academy’s Second Period and Annual Attendance Reports, auditor noted the following:

Second Period Attendance Report

- **Special Education – Nonpublic Schools:** Total net understatement of 0.58 ADA, resulting from 0.58 ADA understated in grades 7-8.
- **Extended Year Special Education – Nonpublic Schools:** Total net understatement of 0.10 ADA, resulting from 0.10 ADA understated in grades 7-8.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-007: P2 AND ANNUAL ATTENDANCE REPORTING (10000) (continued)

Condition (continued):

Stony Point Academy, continued

Annual Attendance Report

- **Special Education – Nonpublic Schools:** Total net understatement of 0.42 ADA, resulting from 0.42 ADA understated in grades 7-8.
- **Extended Year Special Education – Nonpublic Schools:** Total net understatement of 0.10 ADA, resulting from 0.10 ADA understated in grades 7-8.

Cause: Controls over attendance reporting are not in place to assure that the ADA amounts reported on the Second Period and Annual Attendance Reports is accurate.

Effect: Incorrect reporting of ADA in the Second Period and Annual Attendance Reports can result in noncompliance with state regulations.

Questioned Cost: The errors noted for the District and Charter School’s P2 and Annual report have not been revised, as shown in the revised P2 and Annual reports.

Bellevue Union School District, overstatement:

Grade Span	P2 ADA	Annual ADA	2016-17 Adjusted Base Grant per ADA	Questioned Cost
7-8	(0.68)	(0.52)	\$ 7,403	\$ (8,883.60)

Stony Point Academy, understatement:

Grade Span	P2 ADA	Annual ADA	2016-17 Adjusted Base Grant per ADA	Questioned Cost
7-8	0.68	0.52	\$ 7,403	\$ 8,883.60

The net questioned cost is \$0.

Recommendation: We recommend that proper procedures be established to ensure that the data reported on the Second Period and Annual Attendance Reports are accurate and capture the correct ADA amounts for the District and the Charter school.

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2017-008: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as Free or Reduced Priced Meal (FRPM) and who are not directly certified on the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* Report, must have supporting documentation to justify the student’s designation. The unduplicated local control funding formula pupil county affects the percentage used as data in calculating Local Control Funding Formula (LCFF) apportionment. Auditors are required to verify compliance with *California Education Code Section 42238.02(b)(3)(B)* in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

Condition: 1 out of 1 pupil tested from the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* Report who was incorrectly listed under NPS School Group for Bellevue Union Elementary School. This pupil should have been listed under NPS School Group for the Charter School, Stony Point Academy.

Perspective/Context: 1 out of 1 student reported as FRPM eligible was incorrectly reported in CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* Report for Bellevue Union School District. This student should have been reported in the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* Report for Stony Point Academy. The CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* Report for Bellevue Union Elementary School District was overstated, while the CALPADS 1.18 *FRPM/English Learner/Foster Youth – Student List* Report for Stony Point Academy was understated.

Cause: Lack of adequate oversight and familiarity with CALPADS requirements.

Effect: The District is not in compliance with applicable state requirements.

Questioned Cost: The \$287 overstatement for Bellevue Union Elementary School and the \$370 understatement for Stony Point Academy results in \$83 net questioned costs understatement. See calculations on the following pages.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING #2017-008: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)**

Questioned Cost (continued):

Bellevue Union School District

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			4,575	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-			4,157	
3	Audit Adjustment - Number of Enrollment			-	
4	Audit Adjustment - Number of Unduplicated Pupil Count			(1)	
5	Revised Adjusted Enrollment			4,575	
6	Revised Adjusted Unduplicated Pupil Count			4,156	
7	UPP calculated as of P-2			0.9086	
8	Revised UPP for audit finding			0.9084	
9	Charter Schools Only: Determinative School District Concentration Cap			-	
10	Revised UPP adjusted for Concentration Cap			0.9084	
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	1,007.76	680.94	0.68	0.00
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,801
11	Target Supplemental Grant Funding calculated as of P-2				\$2,322,563
12	Revised Target Supplemental Grant Funding for audit finding				\$2,322,052
13	Target Supplemental Grant Funding audit adjustment				(\$511)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$0
15	Revised Target Concentration Grant Funding for audit finding				\$0
16	Target Concentration Grant Funding audit adjustment				\$0
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$511)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$287)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING #2017-008: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)**

Questioned Cost (continued):

Stony Point Academy

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	320			
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	249			
3	Audit Adjustment - Number of Enrollment	-			
4	Audit Adjustment - Number of Unduplicated Pupil Count	1			
5	Revised Adjusted Enrollment	320			
6	Revised Adjusted Unduplicated Pupil Count	250			
7	UPP calculated as of P-2	0.7781			
8	Revised UPP for audit finding	0.7813			
9	Charter Schools Only: Determinative School District Concentration Cap	0.7781			
10	Revised UPP adjusted for Concentration Cap	0.7781			
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	3.00	4.00	80.40	43.63
10	Adjusted Base Grant per ADA	\$7,820	\$7,189	\$7,403	\$8,801
11	Target Supplemental Grant Funding calculated as of P-2	\$160,507			
12	Revised Target Supplemental Grant Funding for audit finding	\$161,167			
13	Target Supplemental Grant Funding audit adjustment	\$660			
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2	\$117,633			
15	Revised Target Concentration Grant Funding for audit finding	\$117,633			
16	Target Concentration Grant Funding audit adjustment	\$0			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment	\$660			
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2	0.5607679980			
20	Estimated Cost of Unduplicated Pupil Count audit adjustment	\$370			

Recommendations: We recommend that the District ensure that all students listed in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report be correctly listed under the school they were enrolled in as of the census date.

District Response: The District agrees with the finding and will implement the recommendation of the auditor.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-01: CASH DISBURSEMENTS INTERNAL CONTROLS (30000)

Criteria: Expenditures processed through the warrant disbursement process should obtain proper approval and funds should be encumbered prior to purchases of goods or services. For proper budgeting practices, the District should also be monitoring any open purchase orders to verify total approved purchase order amount is not exceeded.

Condition: During our testing of internal controls over cash disbursements, it was noted that warrant disbursements were not obtaining proper pre-approval prior to the expenditures being incurred. In addition, a purchase was made that exceeded that approved amount on the purchase order.

Perspective/Context: During our testing of internal controls over cash disbursements from the warrant register, we noted the following exceptions:

- 3 of 25 disbursements tested had a purchase order dated after the Invoice date.
- 2 of 25 disbursements tested had the Invoice amount exceed the approved purchase order amount.

Cause: Insufficient controls over purchasing and budgeting cycles.

Effect: The possibility to circumvent the purchasing process and not encumber funds or obtain required approvals.

Recommendation: All expenditures should be setup with a purchase order prior to the invoice date. The department processing purchases should also verify that purchases have not exceeded the approved amount on the purchase order.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Not Implemented, See Finding #2017-002

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-02: CASH RECEIPTING CONTROLS (30000)

Criteria: Proper internal controls over cash receipting require the following:

- Funds should be received and deposited in a timely manner, or within two weeks of receipt.
- If cash is received, a double count of funds should be performed by two separate and independent employees.
- All funds should be logged in a receipt book, or log, immediately upon receipt at the District office.
- Reconciliations between the receipt book, or log, and the bank statement should be performed on a monthly basis.
- Cash should not be sold in exchange for a check of the same dollar amount.
- All funds on hand should be held into a locked drawer or safe prior to deposit.

Condition: During our review of the internal controls over cash receipting procedures, we noted the following:

- 3 of 25 cash receipts tested that was missing supporting documents.
- 9 of 25 Cash Receipts were tested that the auditor was unable to identify the collection date, which did not allow the auditor to verify funds were deposited in a timely manner.

Perspective/Context: Review of District internal control procedures over cash receipting.

Cause: Inadequate controls over cash receipting.

Effect: Without a proper documentation trail, it is not possible to verify if all collected items were deposited to the bank in a complete and timely manner. This issue could increase the risk of loss of theft.

Recommendation: We recommend that, in lieu of cash receipts being issued for all collections, a log be maintained to record all collections and allow for a more complete documentation trail to agree to bank deposits made. Additionally, we recommend that all receipts be deposited in a timely fashion and be supported with appropriate supporting documentation.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Not Implemented, See Finding #2017-003.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-03: CONTROLS OVER DISTRICT CREDIT CARDS (30000)

Criteria: The District should maintain and enforce credit card policies that contain procedures for proper approvals and uses of District credit cards. District credit card policies and procedures should enforce the following:

- Only authorized users are provided with and may use the credit cards.
- Deadlines for submitting proper expenditure support are met.
- Prior approvals for purchases are obtained and documented.
- The Business Services department is monitoring monthly expenditures for appropriateness and reasonableness.

Condition: Through our test of internal controls over credit cards, we noted the following deficiencies:

- 2 of 25 credit cards transactions tested had the purchase order indicating approval dated after the invoice date.
- 4 of 25 credit cards transactions tested were missing receipts to support the transactions.

Perspective/Context: 25 credit card transactions were tested during the months of August 2015 and April 2016.

Cause: Policies in place are not adequately designed or implemented.

Effect: There is a risk of fraud and abuse of District funds through unauthorized credit card purchases.

Recommendations: We recommend that the District strength their current credit card use policy. Credit card holders should be aware of the requirements for use of credit cards including the approval of credit card purchases, submission of credit card receipts, and monthly reconciliations and monitoring of the credit card purchases by the Business Office.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Implemented

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-04: REVOLVING CASH (30000)

Criteria: A District that has established a revolving cash fund shall designate a person or persons who shall be authorized to make immediate payments by the check in accordance with Education Code Section 42821.

Condition: Through testing of revolving cash purchases we noted the following internal control deficiencies:

- Multiple personnel at the District Office have access to the revolving check book and are able to write their own checks, as needed.
- Personnel making a purchase with a revolving cash check were able to obtain a blank check to make a purchase. The checks were not made to a specific payee or amount; however they received approvals by being signed by the authorized signor.
- The revolving cash account was used for purchases where the amount of the purchase was not known when the check is completed.

Perspective/Context: These deficiencies were notes during testing and evaluation of internal control procedures over cash disbursement and cash replenishment.

Cause: Lack of adequate oversight and noncompliance with District accounting policy.

Effect: A lack of proper internal controls can lead to accounting irregularities to go undetected and increase the potential for the misappropriation of revolving cash fund.

Recommendations: We recommend that the District strengthen their controls over revolving cash purchases. The District Office should assign one designated person to have the access and authorization to prepare the checks. Purchases using revolving cash should be reviewed and approved by the CBO prior to the purchase. A check should not be signed by the authorized signors if the check does not designate the amount or payee.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Implemented

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-05 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Additionally, students who are classified as English Learners (EL) must have supporting documentation to justify the student’s designation. Auditors are required to verify compliance with *Education Code Section 42238.02(b)(3)(b)*.

Condition: 1 out of 18 pupils tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as free or reduced price meal eligible (FRPM) and English Learner (EL) did not have proper supporting documentation to support their designation.

Perspective/Context: 1 out of 18 students reported as FRPM eligible did not have proper supporting documentation to support their designation.

Cause: Lack of adequate oversight and familiarity with CALPADS requirements.

Effect: The District is not in compliance with applicable state requirements.

Questioned Costs: To determine questioned costs, the error rate (1/18) was extrapolated over the entire impacted population for all schools, as the error only related to FRPM and EL determinations, only pupils eligible based on both FRPM and EL designation were considered. The total population of the area tested was 101. The extrapolated error rate disallowed an additional 5 students for a total of 6 students. The total questioned cost as calculated on the next page totaled \$5,252.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-05 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Costs (continued)

UPP Audit Adjustment		Section 1: Regular UPP	Section 2: Alternate UPP*
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	4,157	4,191
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	3,857	3,865
3	Number of Unduplicated Pupil Count audit adjustment		(6)
4	Revised Adjusted Unduplicated Pupil Count	3,851	3,859
5	UPP calculated as of P-2	0.9278	0.9222
6	Revised UPP for audit finding	0.9264	0.9208
7	Greater of Revised UPP for audit finding from Section 1 or 2		0.9264
8	Charter Schools Only: Determinative School District Concentration Cap		
9	Revised UPP adjusted for Concentration Cap		0.9264
LCFF Target Base Grant Funding		Estimated Values	
10	Total Base Grant Funding as of P-2	\$10,196,691	
LCFF Target Supplemental Grant Funding Audit Adjustment			
11	Target Supplemental Grant Funding calculated as of P-2	\$1,892,098	
12	Revised Target Supplemental Grant Funding for audit finding	\$1,889,243	
13	Target Supplemental Grant Funding audit adjustment	(\$2,855)	
LCFF Target Concentration Grant Funding Audit Adjustment			
14	Target Concentration Grant Funding calculated as of P-2	\$1,926,155	
15	Revised Target Concentration Grant Funding for audit finding	\$1,919,017	
16	Target Concentration Grant Funding audit adjustment	(\$7,138)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target			
17	Total Target Supplemental and Concentration audit adjustment	(\$9,993)	
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap			
18	Statewide Gap Funding Rate as of P-2	0.5255761597	
21	Estimated Cost of Unduplicated Pupil Count audit adjustment	(\$5,252)	

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-05 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Recommendation: We recommend that the District ensure that all students listed as both FRPM and EL in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have supporting documentation to support their CALPADS designation.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Partially Implemented, See Finding #2017-008.

FINDING 2016-06: ATTENDANCE REPORTING (10000)

Criteria: The Second Period and the Annual Attendance Reports submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the local education agency’s Average Daily Attendance (ADA) in accordance with *California Education Code Section 46000 et seq.*

Condition:

During the testing of average daily attendance for the District’s second recording period and annual recording period, auditor noted the following:

Second Period Attendance Report (Corrected with Revised P2):

- **Regular ADA:** Total net understatement of 0.8 ADA, resulting from 0.8 ADA understatements in TK/K-3.

Annual Attendance Report (Corrected with Revised Annual):

- **Regular ADA:** Total net overstatement of 0.51 ADA, resulting from 0.51 ADA overstatements in TK/K-3.
- **Special Education – Nonpublic Schools:** Total net overstatement of 0.02 ADA, resulting from 0.02 ADA overstatements in Grade 4-6.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-06: ATTENDANCE REPORTING (10000) (continued)

During the testing of average daily attendance for the Charter school Kawana's annual recording period, auditor noted the following:

Annual Attendance Report (Corrected on Revised Annual):

- **Classroom-Based ADA:** Total net understatement of 137 ADA, resulting from 137 ADA understatements in Grade 4-6
- **Non-Classroom-Based ADA:** Total net overstatement of 137 ADA, resulting from 137 ADA understatements in Grade 4-6.

Revised Annual Attendance Report:

- **Classroom-Based ADA:** Total net understatement of 12.62 ADA, resulting from 12.62 ADA understatements in Grade 4-6.

Cause: Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period and Annual Attendance Report is accurate.

Effect: Incorrect reporting of Regular ADA in the Second Period Report and Annual Attendance Report can result in noncompliance with state regulation

Questioned Costs: The errors noted for the District's P2 and Annual report have been revised, as shown in the revised P2 and revised Annual reports. For Kawana, the errors noted on the Annual Report were revised; however we noted additional errors on the revised Annual report that requires additional revision. The questioned cost for this understatement is 12.62, multiplied by the current year base grant per ADA in grades 4-6 (\$7,189), totaling \$90,725.18.

Recommendations: We recommend that proper procedures be established to ensure that the data within the attendance system and data reported on the Second Attendance Report and Annual Attendance Report are accurate. We also recommend that the District submit an additional Revised Annual Attendance Report to capture the understated ADA.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Partially Implemented, See Finding #2017-007.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-07: ATTENDANCE REPORTING/TEACHER SIGNED WEEKLY REPORTS (10000)

Criteria: Regular class attendance submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (ADA) in accordance with *California Education Code Section 46000 et seq.*

Condition: Through testing performed at Bellevue Elementary, it was noted the weekly (or monthly) attendance reports were not signed timely by the teachers. The weekly teacher signed attendance reports at Bellevue Elementary School for Attendance Month 3 and 4 were not signed timely following the end of the week.

Effect: The District is out of compliance with the State's requirements regarding attendance reporting and record retention.

Cause: The Bellevue Elementary School transitioned from manual attendance to having teacher sign weekly attendance reports in 2016. The teachers at the school site did not properly sign the weekly of attendance for the attendance periods testing.

Questioned Costs: There is no questioned cost because the attendance data was able to be substantiated through alternative procedures.

Recommendation: We recommend that the District immediately require teachers to sign weekly reports to approve their attendance records.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Implemented

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINDING #2016-08: INSTRUCTIONAL MATERIALS (70000)

Criteria: In accordance with *California Education Code Section 60119(1)(C)* the resolution on instructional materials must include a written determination as to the following:

- Whether each pupil enrolled in a foreign language or health course had sufficient textbooks or instructional materials that were consistent with the content and cycles of the curriculum frameworks adopted by the State Board of Education for those subjects.

Condition: In our review of documentation related to the sufficiency of textbooks and instructional materials, it was noted that the statements related to foreign language and health course materials were omitted from the resolution.

Effect: The District is not in compliance with the requirements related to instructional materials.

Cause: Administrative oversight in regards to drafting the resolution on the sufficiency of textbooks and instructional materials.

Questioned Costs: None. Based on an LEA advisory from the *California State Controller* dated October 1, 2014, the requirements are verified for compliance only and a finding does not result in disallowance of funds.

Recommendation: We recommend that the resolution be revised to include the necessary elements related to foreign language and health course material.

District Response: The District agrees with and will implement the recommendation of the auditor.

Current Status: Implemented