

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2019**



BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
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JUNE 30, 2019

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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, 2019, 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.

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, 2019, 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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 13, 2019 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 the effectiveness of Bellevue Union Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bellevue Union Elementary School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 13, 2019

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

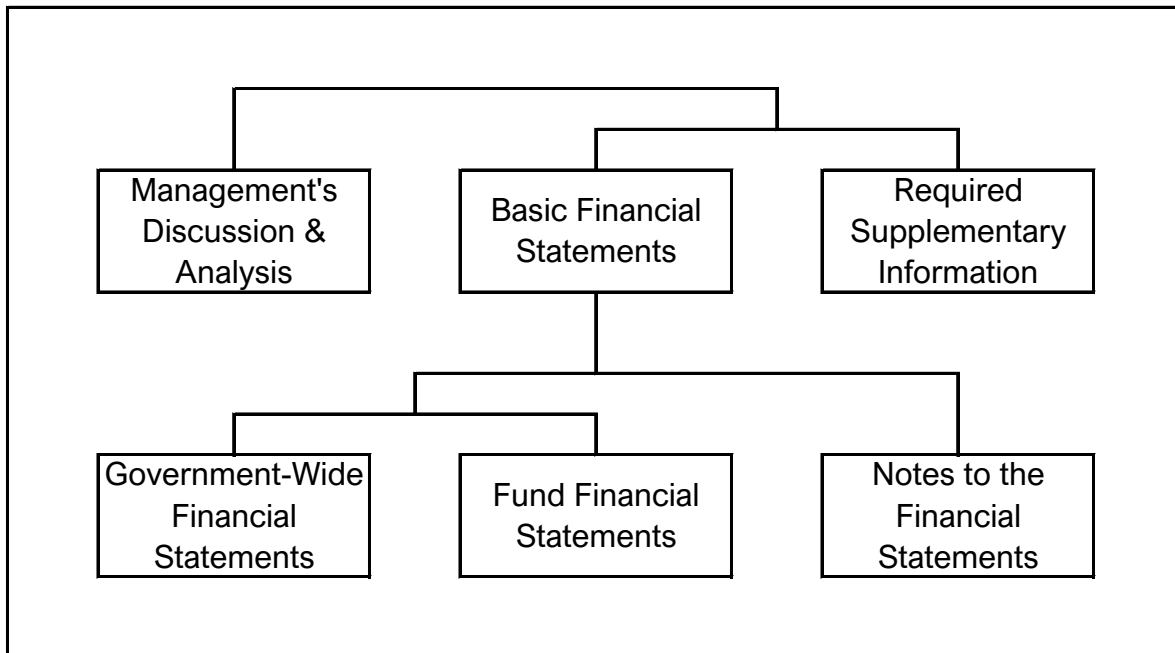
Our discussion and analysis of Bellevue Union Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

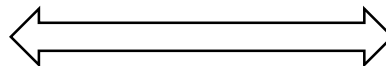
- The District's total net position was \$1,649,084 at June 30, 2019. This was an increase of \$1,079,929 from the prior year.
- Overall revenues were \$28,870,485 which exceeded expenses of \$27,790,556.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



Summary



Detail

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

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, 2019**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$1,649,084 at June 30, 2019, as reflected in the table below. Of this amount, \$(20,802,460) 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		
	2019	2018	Net Change
ASSETS			
Current and other assets	\$ 16,008,923	\$ 14,194,402	\$ 1,814,521
Capital assets	45,361,485	46,052,001	(690,516)
Total Assets	61,370,408	60,246,403	1,124,005
DEFERRED OUTFLOWS OF RESOURCES	6,665,253	8,247,701	(1,582,448)
LIABILITIES			
Current liabilities	2,503,591	2,965,485	(461,894)
Long-term liabilities	61,276,322	62,849,934	(1,573,612)
Total Liabilities	63,779,913	65,815,419	(2,035,506)
DEFERRED INFLOWS OF RESOURCES	2,606,664	2,109,530	497,134
NET POSITION			
Net investment in capital assets	17,297,980	17,418,684	(120,704)
Restricted	5,153,564	4,884,082	269,482
Unrestricted	(20,802,460)	(21,733,611)	931,151
Total Net Position	\$ 1,649,084	\$ 569,155	\$ 1,079,929

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

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 it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2019	2018	Net Change
REVENUES			
Program revenues			
Charges for services	\$ -	\$ 29,697	\$ (29,697)
Operating grants and contributions	4,727,494	4,474,906	252,588
General revenues			
Property taxes	12,450,963	11,419,353	1,031,610
Unrestricted federal and state aid	10,650,637	11,673,877	(1,023,240)
Other	1,041,391	1,073,703	(32,312)
Total Revenues	28,870,485	28,671,536	198,949
EXPENSES			
Instruction	14,262,889	15,195,652	(932,763)
Instruction-related services	1,779,812	2,023,040	(243,228)
Pupil services	4,659,917	4,588,411	71,506
General administration	1,583,120	1,422,490	160,630
Plant services	1,884,097	1,837,061	47,036
Ancillary and community services	495,526	534,011	(38,485)
Debt service	1,862,147	2,043,351	(181,204)
Other outgo	71,199	323,616	(252,417)
Depreciation	1,191,849	1,231,129	(39,280)
Total Expenses	27,790,556	29,198,761	(1,408,205)
Change in net position	1,079,929	(527,225)	1,607,154
Net Position - Beginning	569,155	1,096,380	(527,225)
Net Position - Ending	\$ 1,649,084	\$ 569,155	\$ 1,079,929

The cost of all our governmental activities this year was \$27,790,556 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$12,450,963 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

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	
	2019	2018
Instruction	\$ 11,535,682	\$ 12,748,777
Instruction-related services	1,632,333	1,916,057
Pupil services	3,599,793	3,383,262
General administration	1,514,900	1,363,299
Plant services	1,841,070	1,832,395
Ancillary and community services	2,160	38,865
Debt service	1,862,147	2,043,351
Transfers to other agencies	(116,872)	137,023
Depreciation	1,191,849	1,231,129
Total Expenses	\$ 23,063,062	\$ 24,694,158

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 \$14,807,337, which is more than last year's ending fund balance of \$12,473,578. The District's General Fund had \$1,782,457 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Charter Schools Fund had \$4,846 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Child Development Fund had \$24,122 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Building Fund had \$259,554 less in operating revenues than expenditures for the year ended June 30, 2019. The District's Bond Interest and Redemption Fund had \$532,694 more in operating revenues than expenditures for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-2019

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular 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.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2018-2019 the District had invested \$45,361,485 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2019	2018	Net Change
CAPITAL ASSETS			
Land	\$ 4,316,397	\$ 4,316,397	\$ -
Construction in progress	5,905,984	5,768,755	137,229
Land improvements	7,173,126	7,159,318	13,808
Buildings & improvements	42,690,840	42,340,544	350,296
Furniture & equipment	1,056,607	1,056,607	-
Accumulated depreciation	(15,781,469)	(14,589,620)	(1,191,849)
Total Capital Assets	\$ 45,361,485	\$ 46,052,001	\$ (690,516)

Long-Term Liabilities

At year-end, the District had \$61,276,322 in long-term liabilities, a decrease of 2.5% 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		
	2019	2018	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 41,692,170	\$ 42,717,010	\$ (1,024,840)
Compensated absences	89,466	78,407	11,059
Net pension liability	20,390,727	20,902,230	(511,503)
Less: current portion of long-term liabilities	(896,041)	(847,713)	(48,328)
Total Long-term Liabilities	\$ 61,276,322	\$ 62,849,934	\$ (1,573,612)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

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.

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus \$3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). 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.

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.

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, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

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 2019-20 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, 2019**

	Governmental Activities
ASSETS	
Cash and investments	\$ 14,739,939
Accounts receivable	1,268,984
Capital assets, not depreciated	10,222,381
Capital assets, net of accumulated depreciation	35,139,104
Total Assets	61,370,408
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	6,261,609
Deferred amount on refunding	403,644
Total Deferred Outflows of Resources	6,665,253
LIABILITIES	
Accrued liabilities	1,514,679
Unearned revenue	92,871
Long-term liabilities, current portion	896,041
Long-term liabilities, non-current portion	61,276,322
Total Liabilities	63,779,913
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,606,664
Total Deferred Inflows of Resources	2,606,664
NET POSITION	
Net investment in capital assets	17,297,980
Restricted:	
Capital projects	571,004
Debt service	4,007,075
Educational programs	244,477
Food services	331,008
Unrestricted	(20,802,460)
Total Net Position	\$ 1,649,084

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, 2019**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 14,262,889	\$ 2,727,207		\$ (11,535,682)
Instruction-related services				
Instructional supervision and administration	118,530	63,035		(55,495)
Instructional library, media, and technology	22,663	805		(21,858)
School site administration	1,638,619	83,639		(1,554,980)
Pupil services				
Home-to-school transportation	1,662,097	1,705		(1,660,392)
Food services	1,072,027	889,274		(182,753)
All other pupil services	1,925,793	169,145		(1,756,648)
General administration				
Centralized data processing	76,572	2,832		(73,740)
All other general administration	1,506,548	65,388		(1,441,160)
Plant services	1,884,097	43,027		(1,841,070)
Community services	495,526	493,366		(2,160)
Interest on long-term debt	1,862,147	-		(1,862,147)
Other outgo	71,199	188,071		116,872
Depreciation (unallocated)	1,191,849	-		(1,191,849)
Total Governmental Activities	\$ 27,790,556	\$ 4,727,494		(23,063,062)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				9,246,956
Property taxes, levied for debt service				3,103,401
Property taxes, levied for other specific purposes				100,606
Federal and state aid not restricted for specific purposes				10,650,637
Interest and investment earnings				242,876
Miscellaneous				798,515
Subtotal, General Revenue				24,142,991
CHANGE IN NET POSITION				1,079,929
Net Position - Beginning				569,155
Net Position - Ending				\$ 1,649,084

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 3,122,637	\$ 464,221	\$ 22,728	\$ 5,778,761	\$ 4,413,039	\$ 938,553	\$ 14,739,939
Accounts receivable	818,100	-	337,675	-	-	113,209	1,268,984
Due from other funds	470,300	3,847	31,329	-	-	980	506,456
Total Assets	\$ 4,411,037	\$ 468,068	\$ 391,732	\$ 5,778,761	\$ 4,413,039	\$ 1,052,742	\$ 16,515,379
LIABILITIES							
Accrued liabilities	\$ 628,557	\$ (793)	\$ 266,902	\$ 207,819	\$ -	\$ 6,230	\$ 1,108,715
Due to other funds	12,742	249,214	100,000	-	-	144,500	506,456
Unearned revenue	92,871	-	-	-	-	-	92,871
Total Liabilities	734,170	248,421	366,902	207,819	-	150,730	1,708,042
FUND BALANCES							
Restricted	-	219,647	24,830	5,570,942	4,413,039	902,012	11,130,470
Unassigned	3,676,867	-	-	-	-	-	3,676,867
Total Fund Balances	3,676,867	219,647	24,830	5,570,942	4,413,039	902,012	14,807,337
Total Liabilities and Fund Balances	\$ 4,411,037	\$ 468,068	\$ 391,732	\$ 5,778,761	\$ 4,413,039	\$ 1,052,742	\$ 16,515,379

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, 2019**

Total Fund Balance - Governmental Funds \$ 14,807,337

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	\$ 61,142,954	
Accumulated depreciation	<u>(15,781,469)</u>	45,361,485

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

403,644

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 unmatrued interest owing at the end of the period was:

(405,964)

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	\$ 41,692,170	
Compensated absences	89,466	
Net pension liability	<u>20,390,727</u>	(62,172,363)

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	\$ 6,261,609	
Deferred inflows of resources related to pensions	<u>(2,606,664)</u>	3,654,945

Total Net Position - Governmental Activities \$ 1,649,084

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	\$ 19,219,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,219,677
Federal sources	1,179,241	-	-	-	188,071	909,146	2,276,458
Other state sources	2,815,494	5,053	1,220,544	-	15,607	129,524	4,186,222
Other local sources	445,737	9,626	708	134,934	3,147,366	445,146	4,183,517
Total Revenues	23,660,149	14,679	1,221,252	134,934	3,351,044	1,483,816	29,865,874
EXPENDITURES							
Current							
Instruction	13,310,967	4,449	1,197,130	-	-	-	14,512,546
Instruction-related services							
Instructional supervision and administration	105,695	-	-	-	-	-	105,695
Instructional library, media, and technology	18,012	-	-	-	-	-	18,012
School site administration	1,530,048	-	-	-	-	-	1,530,048
Pupil services							
Home-to-school transportation	1,662,097	-	-	-	-	-	1,662,097
Food services	-	-	-	-	-	963,611	963,611
All other pupil services	1,763,678	-	-	-	-	-	1,763,678
General administration							
Centralized data processing	53,165	-	-	-	-	-	53,165
All other general administration	1,328,145	740	-	-	-	31,315	1,360,200
Plant services	1,594,359	4,644	-	-	-	-	1,599,003
Facilities acquisition and maintenance	-	-	-	394,488	-	143,224	537,712
Community services	495,526	-	-	-	-	-	495,526
Transfers to other agencies	16,000	-	-	-	-	96,472	112,472
Debt service							
Principal	-	-	-	-	1,865,000	-	1,865,000
Interest and other	-	-	-	-	953,350	-	953,350
Total Expenditures	21,877,692	9,833	1,197,130	394,488	2,818,350	1,234,622	27,532,115
Excess (Deficiency) of Revenues Over Expenditures	1,782,457	4,846	24,122	(259,554)	532,694	249,194	2,333,759
Other Financing Sources (Uses)							
Transfers in	-	-	708	-	-	-	708
Transfers out	(708)	-	-	-	-	-	(708)
Net Financing Sources (Uses)	(708)	-	708	-	-	-	-
NET CHANGE IN FUND BALANCE	1,781,749	4,846	24,830	(259,554)	532,694	249,194	2,333,759
Fund Balance - Beginning	1,895,118	214,801	-	5,830,496	3,880,345	652,818	12,473,578
Fund Balance - Ending	\$ 3,676,867	\$ 219,647	\$ 24,830	\$ 5,570,942	\$ 4,413,039	\$ 902,012	\$ 14,807,337

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, 2019**

Net Change in Fund Balances - Governmental Funds \$ 2,333,759

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:	\$	501,333	
Depreciation expense:		<u>(1,191,849)</u>	(690,516)

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:

1,865,000

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(18,348)

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:

(9,016)

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.

(899,781)

(continued on next page)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2019**

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: (11,059)

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: (1,549,731)

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: 59,621

Change in Net Position of Governmental Activities	\$	1,079,929
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**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 55,020
Total Assets	<u>\$ 55,020</u>
LIABILITIES	
Due to student groups	\$ 55,020
Total Liabilities	<u>\$ 55,020</u>

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019**

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.

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.

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.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

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:

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*).

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*).

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.*).

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

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, 2019**

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.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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, 2019**

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, 2019**

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.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Investment in county treasury	\$ 14,736,439	\$ -
Cash on hand and in banks	-	55,020
Cash in revolving fund	3,500	-
Total cash and investments	\$ 14,739,939	\$ 55,020

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, 2019

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 \$14,754,270 and an amortized book value of \$14,736,439. The average weighted maturity for this pool is 552 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, 2019, the pooled investments in the County Treasury were not rated.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

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, 2019, 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, 2019 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 14,754,270</u>
Total fair market value of investments	<u>\$ 14,754,270</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 561,811	\$ -	\$ 105,220	\$ 667,031
State Government				
Categorical aid	49,337	337,675	7,989	395,001
Lottery	194,096	-	-	194,096
Local Government				
Other local sources	12,856	-	-	12,856
Total	<u>\$ 818,100</u>	<u>\$ 337,675</u>	<u>\$ 113,209</u>	<u>\$ 1,268,984</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance July 01, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,316,397	\$ -	\$ -	\$ 4,316,397
Construction in progress	5,768,755	501,333	364,104	5,905,984
Total Capital Assets not Being Depreciated	<u>10,085,152</u>	<u>501,333</u>	<u>364,104</u>	<u>10,222,381</u>
Capital assets being depreciated				
Land improvements	7,159,318	13,808	-	7,173,126
Buildings & improvements	42,340,544	350,296	-	42,690,840
Furniture & equipment	1,056,607	-	-	1,056,607
Total Capital Assets Being Depreciated	<u>50,556,469</u>	<u>364,104</u>	<u>-</u>	<u>50,920,573</u>
Less Accumulated Depreciation				
Land improvements	2,915,059	312,435	-	3,227,494
Buildings & improvements	11,200,024	801,322	-	12,001,346
Furniture & equipment	474,537	78,092	-	552,629
Total Accumulated Depreciation	<u>14,589,620</u>	<u>1,191,849</u>	<u>-</u>	<u>15,781,469</u>
Governmental Activities				
Capital Assets, net	<u>\$ 46,052,001</u>	<u>\$ (326,412)</u>	<u>\$ 364,104</u>	<u>\$ 45,361,485</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2019 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Charter Schools Fund</u>	<u>Child Development Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 3,847	\$ 7,915	\$ 980	\$ 12,742
Charter Schools Fund	249,214	-	-	-	249,214
Child Development Fund	100,000	-	-	-	100,000
Non-Major Governmental Funds	121,086	-	23,414	-	144,500
Total Due From Other Funds	\$ 470,300	\$ 3,847	\$ 31,329	\$ 980	\$ 506,456

Due from the General Fund to the Charter Schools Fund to allocate SPED income to SPA (Prior Year).	\$ 3,847
Due from the General Fund to the Child Development Fund for program support.	7,915
Due from the General Fund to the Cafeteria Fund to reconcile a deposit (Prior Year).	980
Due from the Charter Schools Fund to the General Fund for repayment of program support.	249,214
Due from the Child Development Fund to to the General Fund for a temporary loan.	100,000
Due from the Cafeteria Fund to the General Fund for a temporary loan.	121,086
Due from the Cafeteria Fund to the Child Development Fund to move state preschool funds incorrectly recorded in the Cafeteria Fund.	23,414
Total	\$ 506,456

B. Operating Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>	
	<u>Child Development Fund</u>	<u>Total</u>
General Fund	\$ 708	\$ 708
Total Interfund Transfers	\$ 708	\$ 708

Transfer from the General Fund to the Child Development Fund for a contribution.	\$ 708
Total	\$ 708

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 87,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,668
Construction	-	-	-	207,819	-	-	207,819
Vendors payable	540,889	(793)	266,902	-	6,230	-	813,228
Unmatured interest	-	-	-	-	-	405,964	405,964
Total	\$ 628,557	\$ (793)	\$ 266,902	\$ 207,819	\$ 6,230	\$ 405,964	\$ 1,514,679

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted federal sources totaling \$92,871 in the General Fund.

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 41,219,340	\$ 899,781	\$ 1,865,000	\$ 40,254,121	\$ 836,420
Unamortized premium	1,497,670	-	59,621	1,438,049	59,621
Total general obligation bonds	42,717,010	899,781	1,924,621	41,692,170	896,041
Compensated absences	78,407	11,059	-	89,466	-
Net pension liability	20,902,230	-	511,503	20,390,727	-
Total	\$ 63,697,647	\$ 910,840	\$ 2,436,124	\$ 62,172,363	\$ 896,041

- Payments for general obligation bonds are made in the Bond Interest and Redemption 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, 2019 amounted to \$89,466. 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, 2019**

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds

The outstanding general obligation debt of the District at June 30, 2019 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 01, 2018	Additions	Deductions	Outstanding June 30, 2019
1997 CAB	1997	2021	5.1% - 5.8%	4,393,374	4,212,205	\$ 216,561	\$ 1,070,000	\$ 3,358,766
2000 CAB	2000	2024	5.4% - 6.3%	2,976,210	6,221,098	401,536	465,000	6,157,634
2008 Series A	2009	2033	4.25% - 7.0%	6,500,000	1,050,000	-	195,000	855,000
2011 Series A	2012	2036	11.41%	378,528	768,649	90,210	-	858,859
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	625,268	44,214	-	669,482
2014 Series A	2015	2045	3.0% - 5.0%	4,200,000	3,415,000	-	-	3,415,000
2014 Series B	2016	2046	2.00% - 4.00%	7,800,000	7,630,000	-	25,000	7,605,000
2017 Refunding	2018	2042	2.00% - 4.06%	5,946,811	5,950,205	29,747	110,000	5,869,952
2008, Series D	2018	2043	3.00% - 4.31%	6,996,915	6,996,915	117,513	-	7,114,428
					\$ 41,219,340	\$ 899,781	\$ 1,865,000	\$ 40,254,121

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2019 were as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 836,420	\$ 2,144,593	\$ 2,981,013
2021	855,570	2,253,286	3,108,856
2022	924,914	2,355,161	3,280,075
2023	965,869	2,379,431	3,345,300
2024	1,061,260	2,487,565	3,548,825
2025 - 2029	9,064,486	5,754,265	14,818,751
2030 - 2034	5,707,002	4,484,098	10,191,100
2034 - 2039	5,052,426	6,891,599	11,944,025
2040 - 2044	6,402,095	5,266,686	11,668,781
2045 - 2046	1,730,000	56,800	1,786,800
Accretion	7,654,079	(7,654,079)	-
Total	\$ 40,254,121	\$ 26,419,405	\$ 66,673,526

On December 5, 2017, the District issued \$5,950,205 in General Obligation Refunding Bonds. The bonds were issued to refund a portion of the 2008 Series A and a portion of the 2011 Series C Bonds. The refunding transaction resulted in a net savings to the District \$1,379,481 and a present value savings to the District of \$791,683.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. Net Pension Liability

The District’s beginning net pension liability was \$20,902,230 and decreased by \$511,503 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$20,390,727. See Note 10 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted							
Educational programs	\$ -	\$ 219,647	\$ 24,830	\$ -	\$ -	\$ -	\$ 244,477
Capital projects	-	-	-	5,570,942	-	571,004	6,141,946
Debt service	-	-	-	-	4,413,039	-	4,413,039
Food services	-	-	-	-	-	331,008	331,008
Total restricted	-	219,647	24,830	5,570,942	4,413,039	902,012	11,130,470
Unassigned							
Remaining unassigned	3,676,867	-	-	-	-	-	3,676,867
Total unassigned	3,676,867	-	-	-	-	-	3,676,867
Total	\$ 3,676,867	\$ 219,647	\$ 24,830	\$ 5,570,942	\$ 4,413,039	\$ 902,012	\$ 14,807,337

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.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

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:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 13,887,934	\$ 4,395,743	\$ 2,512,413	\$ 1,445,829
PERS Pension	6,502,793	1,865,866	94,251	1,787,481
Total	<u>\$ 20,390,727</u>	<u>\$ 6,261,609</u>	<u>\$ 2,606,664</u>	<u>\$ 3,233,310</u>

A. 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:

1. 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 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.
2. 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 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.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, 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 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,170,608 for the year ended June 30, 2019.

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 \$1,266,534 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, 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	\$ 13,887,934
State's proportionate share of the net pension liability associated with the District	<u>7,951,530</u>
Total	<u>\$ 21,839,464</u>

The net pension liability was measured as of June 30, 2018, 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, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District’s proportion was 0.015 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

A. 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, 2019, the District recognized pension expense of \$1,445,829. In addition, the District recognized pension expense and revenue of \$271,145 for support provided by the State. At June 30, 2019, 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	\$ -	\$ 534,773
Differences between expected and actual experience	43,066	201,730
Changes in assumptions	2,157,453	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,024,616	1,775,910
District contributions subsequent to the measurement date	1,170,608	-
	<u>\$ 4,395,743</u>	<u>\$ 2,512,413</u>

The \$1,170,608 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, 2020. 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>
2020	\$ 696,257	\$ 382,507
2021	696,257	583,262
2022	696,257	948,058
2023	696,257	310,362
2024	440,107	166,609
2025	-	121,615
	<u>\$ 3,225,135</u>	<u>\$ 2,512,413</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

A. 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, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* 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 MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

*20-year geometric average

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 20,344,197	\$ 13,887,934	\$ 8,535,064

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, 2019**

NOTE 10 – PENSION PLANS (continued)

B. 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 7.0% 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 2019 was 18.062% of annual payroll. Contributions to the plan from the District were \$521,971 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately \$220,490 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of \$6,502,793 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 and rolling forward the total pension liability to June 30, 2018. 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, 2018, the District's proportion was 0.024 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

B. 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, 2019, the District recognized pension expense of \$1,787,481. At June 30, 2019, 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	\$ 53,338	\$ -
Differences between expected and actual experience	426,299	-
Changes in assumptions	649,275	-
Changes in proportion and differences between District contributions and proportionate share of contributions	223,983	94,251
District contributions subsequent to the measurement date	512,971	-
	<u>\$ 1,865,866</u>	<u>\$ 94,251</u>

The \$512,971 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, 2020. 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>
2020	\$ 896,822	\$ 32,501
2021	502,713	32,501
2022	(8,258)	29,249
2023	(38,382)	-
	<u>\$ 1,352,895</u>	<u>\$ 94,251</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

B. 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, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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 adjusted to account for assumed administrative expenses.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

B. 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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 9,467,756	\$ 6,502,793	\$ 4,042,932

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, 2019**

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, 2019.

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, 2019.

C. Construction Commitments

As of June 30, 2019, the District commitments with respect to unfinished capital projects totaling \$874,766.

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.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to pensions was \$6,261,609 and total deferred inflows related to pensions was \$2,606,664.

B. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was \$403,644.

REQUIRED SUPPLEMENTARY INFORMATION

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 18,698,408	\$ 19,053,295	\$ 19,219,677	\$ 166,382
Federal sources	1,261,629	1,222,530	1,179,241	(43,289)
Other state sources	1,681,228	1,681,228	2,815,494	1,134,266
Other local sources	988,875	374,148	445,240	71,092
Total Revenues	22,630,140	22,331,201	23,659,652	1,328,451
EXPENDITURES				
Certificated salaries	7,703,611	7,703,611	7,484,597	219,014
Classified salaries	2,676,940	2,676,940	2,622,689	54,251
Employee benefits	3,610,803	3,610,803	4,585,380	(974,577)
Books and supplies	699,823	708,568	519,792	188,776
Services and other operating expenditures	6,873,573	7,340,937	6,606,685	734,252
Capital outlay	32,000	32,000	5,072	26,928
Other outgo				
Excluding transfers of indirect costs	-	-	16,000	(16,000)
Transfers of indirect costs	(40,373)	(40,373)	-	(40,373)
Total Expenditures	21,556,377	22,032,486	21,840,215	192,271
Excess (Deficiency) of Revenues Over Expenditures	1,073,763	298,715	1,819,437	1,520,722
Other Financing Sources (Uses)				
Transfers out	-	-	(708)	(708)
Net Financing Sources (Uses)	-	-	(708)	(708)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	1,854,178	1,854,178	1,854,178	-
Fund Balance - Ending	\$ 2,927,941	\$ 2,152,893	\$ 3,672,907	\$ 1,520,014

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 CHARTER SCHOOLS FUND – BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Other state sources	\$ -	\$ -	\$ 5,053	\$ 5,053
Other local sources	-	-	9,626	9,626
Total Revenues	-	-	14,679	14,679
EXPENDITURES				
Certificated salaries	-	-	3,792	(3,792)
Employee benefits	-	-	470	(470)
Books and supplies	-	-	67	(67)
Services and other operating expenditures	-	-	5,504	(5,504)
Total Expenditures	-	-	9,833	(9,833)
NET CHANGE IN FUND BALANCE	-	-	4,846	4,846
Fund Balance - Beginning	214,801	214,801	214,801	-
Fund Balance - Ending	\$ 214,801	\$ 214,801	\$ 219,647	\$ 4,846

Stony Point Academy voluntarily closed June 30, 2018. The District is in the process to close the Charter Schools Fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
CHILD DEVELOPMENT FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Other state sources	\$ 770,611	\$ 770,611	\$ 1,197,130	\$ 426,519
Other local sources	-	-	708	708
Total Revenues	770,611	770,611	1,197,838	427,227
EXPENDITURES				
Services and other operating expenditures	770,611	770,611	1,197,130	(426,519)
Total Expenditures	770,611	770,611	1,197,130	(426,519)
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	708	708
Other Financing Sources (Uses)				
Transfers in	-	-	708	708
Net Financing Sources (Uses)	-	-	708	708
NET CHANGE IN FUND BALANCE	-	-	1,416	1,416
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,416	\$ 1,416

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because they do not include the \$23,414 audit adjustment to move state preschool funds that were incorrectly recorded to another fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.015%	0.016%	0.017%	0.014%	0.017%
District's proportionate share of the net pension liability	\$ 13,887,934	\$ 14,920,138	\$ 13,436,669	\$ 9,545,903	\$ 9,934,290
State's proportionate share of the net pension liability associated with the District	7,951,530	8,826,700	7,650,382	5,048,716	6,083,729
Total	<u>\$ 21,839,464</u>	<u>\$ 23,746,838</u>	<u>\$ 21,087,051</u>	<u>\$ 14,594,619</u>	<u>\$ 16,018,019</u>
District's covered payroll	\$ 8,171,302	\$ 8,604,873	\$ 8,102,865	\$ 7,166,888	\$ 7,612,230
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.0%	173.4%	165.8%	133.2%	130.5%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.024%	0.025%	0.025%	0.021%	0.017%
District's proportionate share of the net pension liability	\$ 6,502,793	\$ 5,982,092	\$ 4,290,132	\$ 3,051,014	\$ 1,963,971
District's covered payroll	\$ 3,214,696	\$ 3,183,793	\$ 2,613,482	\$ 1,885,925	\$ 1,817,121
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.3%	187.9%	164.2%	161.8%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,170,608	\$ 1,129,777	\$ 1,124,578	\$ 879,212	\$ 691,134
Contributions in relation to the contractually required contribution*	(1,170,608)	(1,129,777)	(1,124,578)	(879,212)	(691,134)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,248,549	\$ 8,171,302	\$ 8,604,873	\$ 8,102,865	\$ 7,166,888
Contributions as a percentage of covered payroll	16.15%	13.83%	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, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 512,971	\$ 4,999,999	\$ 442,771	\$ 309,043	\$ 269,714
Contributions in relation to the contractually required contribution*	(512,971)	(4,999,999)	(442,771)	(309,043)	(269,714)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,006,856	\$ 3,214,696	\$ 3,183,783	\$ 2,613,482	\$ 1,885,925
Contributions as a percentage of covered payroll	17.06%	155.54%	13.91%	11.82%	14.30%

*Amounts do not include on-behalf contributions

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

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.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

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.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, 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			
Employee benefits	\$ 3,610,803	\$ 4,585,380	\$ 974,577
Other outgo			
Excluding transfers of indirect costs	\$ -	\$ 16,000	\$ 16,000
Transfers of indirect costs	\$ (40,373)	\$ -	\$ 40,373
Charter School Fund			
Certificated salaries	\$ -	\$ 3,792	\$ 3,792
Employee benefits	\$ -	\$ 470	\$ 470
Books and supplies	\$ -	\$ 67	\$ 67
Services and other operating expenditures	\$ -	\$ 5,504	\$ 5,504
Child Development Fund			
Services and other operating expenditures	\$ 770,611	\$ 1,197,130	\$ 426,519

SUPPLEMENTARY INFORMATION

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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	\$ 464,402
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	73,361
Title III			
Title III, English Learner Student Program	84.365	14346	35,671
Title III, Immigrant Education Program	84.365	15146	5,488
Subtotal Title III			<u>41,159</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	9,365
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	506,233
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	48,707
Subtotal Special Education Cluster			<u>554,940</u>
Total U. S. Department of Education			<u>1,143,227</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	260,852
National School Lunch Program	10.555	13391	577,504
USDA Commodities	10.555	*	70,791
Subtotal Child Nutrition Cluster			<u>909,147</u>
Total U. S. Department of Agriculture			<u>909,147</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	36,013
Total U. S. Department of Health & Human Services			<u>36,013</u>
Total Federal Expenditures			<u>\$ 2,088,387</u>

* - 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, 2019**

	Second Period Report	Revised Second Period Report*	Annual Report	Revised Annual Report*
	Certificate No. 61C94D56	Certificate No. N/A	Certificate No. 6EF88D9C	Certificate No. N/A
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	882.17	881.97	881.51	881.20
Special Education - Nonpublic Schools	1.68	1.68	1.75	1.75
Total TK/K through Third	883.85	883.65	883.26	882.95
Fourth through Sixth				
Regular ADA	644.95	644.36	641.71	641.25
Special Education - Nonpublic Schools	8.15	8.15	8.22	8.22
Total Fourth through Sixth	653.10	652.51	649.93	649.47
TOTAL SCHOOL DISTRICT	1,536.95	1,536.16	1,533.19	1,532.42

*The Second Period and Annual Reports have not yet been revised.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days	Status
Kindergarten	36,000	54,650	180	Complied
Grade 1	50,400	54,650	180	Complied
Grade 2	50,400	54,650	180	Complied
Grade 3	50,400	54,650	180	Complied
Grade 4	54,000	54,650	180	Complied
Grade 5	54,000	54,650	180	Complied
Grade 6	54,000	54,650	180	Complied

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2019**

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 22,240,751	\$ 23,659,652	\$ 22,672,504	\$ 24,468,452
Expenditures And Other Financing Uses	21,936,357	21,840,923	21,756,078	2,689,169
Net change in Fund Balance	<u>\$ 304,394</u>	<u>\$ 1,818,729</u>	<u>\$ 916,426</u>	<u>\$ 21,779,283</u>
Ending Fund Balance	<u>\$ 3,977,301</u>	<u>\$ 3,672,907</u>	<u>\$ 1,854,178</u>	<u>\$ 937,752</u>
Available Reserves*	<u>\$ 2,813,192</u>	<u>\$ 3,676,867</u>	<u>\$ 710,088</u>	<u>\$ 655,280</u>
Available Reserves As A Percentage Of Outgo	<u>12.82%</u>	<u>16.83%</u>	<u>3.26%</u>	<u>24.37%</u>
Long-term Liabilities	<u>\$ 61,276,322</u>	<u>\$ 62,172,363</u>	<u>\$ 63,697,647</u>	<u>\$ 55,810,050</u>
Average Daily Attendance At P-2	<u>1,537</u>	<u>1,537</u>	<u>1,748</u>	<u>1,793</u>

The General Fund balance has increased by \$2,735,155 over the past two years. The fiscal year 2019-20 budget projects an increase of \$304,394. 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 surpluses in each of the past three years and anticipates incurring an operating surplus during the 2019-20 fiscal year. Total long-term obligations have increased by \$6,362,313 over the past two years.

Average daily attendance has decreased by 256 ADA over the past two years. No change in ADA is anticipated during the 2019-20 fiscal year. This decrease is largely due to the closure of Stony Point Academy.

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

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
June 30, 2019, annual financial and budget report fund balance	\$ 3,672,907	\$ 1,416	\$ 241,213	\$ 3,960	\$ 5,511,092
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB 54)	3,960	-	-	(3,960)	-
Adjustment to due to/due from other funds	-	23,414	(23,414)	-	-
Adjustment to accounts receivable	-	-	113,209	-	-
Adjustment to accounts payable	-	-	-	-	59,850
Net adjustments and reclassifications	3,960	23,414	89,795	(3,960)	59,850
June 30, 2019, audited financial statement fund balance	\$ 3,676,867	\$ 24,830	\$ 331,008	\$ -	\$ 5,570,942

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

Charter #	Charter School	Status	Included in Audit Report
1511	Stony Point Academy	Closed	No*

*Stony Point Academy voluntarily closed June 30, 2018. The District is in the process to close the Charter Schools Fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 367,549	\$ 570,998	\$ 6	\$ 938,553
Accounts receivable	113,209	-	-	113,209
Due from other funds	980	-	-	980
Total Assets	\$ 481,738	\$ 570,998	\$ 6	\$ 1,052,742
LIABILITIES				
Accrued liabilities	\$ 6,230	\$ -	\$ -	\$ 6,230
Due to other funds	144,500	-	-	144,500
Total Liabilities	150,730	-	-	150,730
FUND BALANCES				
Restricted	331,008	570,998	6	902,012
Total Fund Balances	331,008	570,998	6	902,012
Total Liabilities and Fund Balance	\$ 481,738	\$ 570,998	\$ 6	\$ 1,052,742

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, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES				
Federal sources	909,146	\$ -	\$ -	\$ 909,146
Other state sources	129,524	-	-	129,524
Other local sources	11,189	433,957	-	445,146
Total Revenues	<u>1,049,859</u>	<u>433,957</u>	<u>-</u>	<u>1,483,816</u>
EXPENDITURES				
Current				
Pupil services				
Food services	963,611	-	-	963,611
General administration				
All other general administration	-	31,315	-	31,315
Facilities acquisition and maintenance	-	143,224	-	143,224
Transfers to other agencies	-	96,472	-	96,472
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>963,611</u>	<u>271,011</u>	<u>-</u>	<u>1,234,622</u>
NET CHANGE IN FUND BALANCE	86,248	162,946	-	249,194
Fund Balance - Beginning	244,760	408,052	6	652,818
Fund Balance - Ending	<u>\$ 331,008</u>	<u>\$ 570,998</u>	<u>\$ 6</u>	<u>\$ 902,012</u>

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2019**

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.

GOVERNING BOARD

Member	Office	Term Expires
Lisa Reyes	President	December 2022
John Jarvis	Vice-President	December 2020
Adele Walker	Trustee	December 2020
Stephanie Merrida - Grant	Trustee	December 2022
Jamie Padilla	Trustee	December 2020

DISTRICT ADMINISTRATORS

David Alexander
Superintendent

Chris Kim
Chief Business Official

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2019**

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, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 2,276,458
Qualified School Construction Bond Interest Subsidiary	N/A	<u>(188,071)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 2,088,387</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, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2019**

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

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, 2019, 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 13, 2019.

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.

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 #2019-001 through #2019-004)

Compliance and Other Matters

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

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.

Christy White, Inc.

San Diego, California
December 13, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

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, 2019. 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.

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, 2019.

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, Inc.

San Diego, California
December 13, 2019

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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 *2018-2019 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, 2019, 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 *2018-2019 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.

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, 2019.

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 Finding #2019-005, #2019-006, and #2019-007. 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	Yes
Independent Study	Not Applicable
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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes

(continued on next page)

Procedures Performed (continued):

PROGRAM NAME	PROCEDURES PERFORMED
After/Before 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 Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
December 13, 2019

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

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>	
10.553 & 10.555	Child Nutrition Cluster	
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, 2019**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2019-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings 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:

- ASB Income statements or transaction summaries for the 2018-19 year were not available for review at Bellevue Elementary, Taylor Mountain, Kawana Springs Academy and Meadow View Elementary.
- Bank reconciliations were not performed for June 30, 2019 for the Kawana Springs Academy ASB bank account.

Cause: Insufficient financial controls over student body activities.

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

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that all sites that operate an ASB be able to produce an income statement or transaction summary over a given time period. In addition, bank reconciliations should be performed on a monthly basis. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

Corrective Action Plan: The Bellevue Union School District has experienced substantial turnaround in administrative leadership and administrative office staff leading into the academic year. These transitions have resulted in new employees who may not be as of yet fully familiar with the accounting procedures and protocols associated with maintaining Associated Student Body accounts at the Site level. To reconcile this finding, the District will provide each student body account clerk with the latest FCMAT Accounting Manual as a point of reference and forward template income statements and transaction summaries for daily use.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-002: BIDDING PROCEDURES - CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT PARTICIPATING AGENCIES (30000)

Criteria: The California Uniform Public Construction Cost Accounting Act (CUPCCAA) under Public Contract Public Contract Code section 22000 was enacted to promote “uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state.” CUPCCAA is a voluntary program and requires public agencies to “opt in” to the provisions set forth in the Act per Public Contract Code section 22003. This requires the public agency to adopt, by Board Resolution, the uniform construction accounting procedures in order to utilize the bidding procedures set forth in the Act. The public agency is also required to submit this adopted Board Resolution to the California Uniform Construction Cost Accounting Commission for placement on the Participating Agency Listing.

Condition: During our testing of bidding procedures, we identified that the District was not included on the California Uniform Construction Cost Accounting Commission Participating Agency Listing. The Board had adopted a resolution on April 14, 2015 to adopt the uniform construction accounting procedures but had not submitted this resolution for inclusion on the California Uniform Construction Cost Accounting Commission Participating Agency Listing.

Effect: The District had not completed the process to “opt in” to CUPCCAA but was performing bidding procedures under the Act.

Cause: Turnover in key positions in the business office created oversight in the submission of this resolution to the California Uniform Construction Cost Accounting Commission.

Repeat Finding: This is a repeat finding as there was a prior year finding related to bidding procedures.

Recommendation: We recommend that the District submit their adopted Board Resolution to the California Uniform Construction Cost Accounting Commission for inclusion on the Participating Agency Listing. Subsequent to the audit, the District submitted the adopted Board Resolution and is included on the Participating Agency Listing.

Corrective Action Plan: The District has completed the process to opt in to CUPCCAA. Confirmation of the District's participation was received in November 2019 and the District should now be listed as a participating agency.

FINDING #2019-003: CASH RECEIPT INTERNAL 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 that the District was lacking internal controls over cash receipts including the following:

- Funds are not logged upon receipt at the District office
- Deposits appear to be made in an untimely manner
- There is a lack of segregation of duties over cash receipts as one staff member has the responsibility of custody of assets, record keeping and monitoring.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-003: CASH RECEIPT INTERNAL CONTROLS (30000), (continued)

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.

Repeat Finding: This is not a repeat finding.

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.

Corrective Action Plan: Although the District affirms that cash receipts were logged correctly in the District's Checking Account ledger (via Exchange Bank), the District will further reconcile all cash receipts in the form of an external log with corresponding supporting documentation.

FINDING #2019-004: INTERFUND BORROWING (30000)

Criteria: Per California Education Code Section 42603, interfund borrowings shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year. Borrowing shall occur only when the fund or account receiving the money will earn sufficient income, during the current fiscal year, to repay the amount transferred.

Condition: During the year ended June 30, 2018, the General Fund borrowed \$3,625 from the Charter Schools Fund, which was not repaid as of June 30, 2019. During the year ended June 30, 2018, the General Fund borrowed \$980 from the Cafeteria Fund, which was not repaid as of June 30, 2019.

Effect: The District is not in compliance with section of California Education Code outlined above.

Cause: Based on inquiry with management, this was caused by management oversight.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the amount detailed above to be repaid and that the District follows Education Code Section 42603 going forward.

Corrective Action Plan: The amount reflected above to be repaid have been transferred. Procedures will be implemented to ensure such transfers are completed in accordance with Education Code section 42603.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2019-005: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2018-19 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plan at Kawana Springs Elementary, it was noted that a comprehensive school safety plan was not developed and approved prior to the required deadline of March 1st for the current audit year. The District approved the Comprehensive School Safety Plans on September 17, 2019.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The School District was untimely adhering to comprehensive school safety requirements per California Education Code.

Questioned Costs: None. The District approved the Comprehensive School Safety Plans on September 17, 2019.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner.

Corrective Action Plan: The District's comprehensive safety plan was approved by the Board of Trustees on September 17, 2019. The District will continue to provide oversight and training to staff responsible for implementing this new requirement.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-006: INSTRUCTIONAL MATERIALS (70000)

Criteria: Per Education Code Section 60119, the public hearing for instructional materials must occur on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District's public hearing for instructional materials occurred on October 16, 2019, which is after the eighth week from the first day of school year.

Cause: There were changes in personnel during this time which may have contributed to the late timing of the hearing.

Effect: The District is not in compliance with California Education Code Section 60119.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the public hearing for instructional materials occurs on or before the end of the eighth week from the first day pupils attended school for that year.

Corrective Action Plan: The District will work to schedule a public hearing regarding instructional materials prior to the 8th week of the subsequent School Year.

FINDING #2019-007: ATTENDANCE REPORTING (10000)

Criteria: The Second Period report 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 reporting period and annual attendance reports, the auditor noted the following:

Second Period Attendance Report

- Regular ADA: Total net overstatement of 0.79 ADA, resulting from 0.20 ADA overstatement in Grades TK/K-3 and 0.59 overstatement in Grades 4-6.

Annual Attendance Report

- Regular ADA: Total net overstatement of 0.77 ADA, resulting from 0.31 ADA overstatement in Grades TK/K-3 and 0.46 overstatement in Grades 4-6.

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-007: ATTENDANCE REPORTING (10000), continued

Questioned Costs: The fiscal impact is \$6,047.81 owed by the District, as calculated in the table below. The errors noted for the District's P2 Attendance Report have not been revised to reflect the revised P2 report listed on the Schedule of Average Daily Attendance.

	P2 ADA Understatement (Overstatement)	2018-19 Derived Value of ADA by Grade Span	Questioned Cost
Grade TK-3	(0.20)	\$ 8,235.00	\$ (1,647.00)
Grade 4-6	(0.59)	\$ 7,459.00	(4,400.81)
	<u>(0.79)</u>		<u>\$ (6,047.81)</u>

There is no question cost related to the error noted for the Annual Attendance Report since the District is not funded on Annual Attendance. The District's Annual Attendance Report has not been revised to reflect the revised Annual report listing on the Schedule of Average Daily Attendance

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that proper procedures be established to ensure that the data within the attendance system and data reported on the Second Period and Annual Attendance Reports are accurate.

Corrective Action Plan: The Bellevue Union School District has experienced substantial turnaround in administrative leadership and administrative office staff leading into the academic year. These transitions have resulted in new employees who may not be as of yet fully familiar with the reconciliation procedures and protocols associated with reconciling monthly attendance. To this end, the District will review its attendance reporting procedures with each site to ensure accurate data.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings 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:

- Income statements or transaction summaries for the 2017-18 year were not available for review at Taylor Mountain Elementary and Stony Point Academy.
- Bank reconciliations were not performed for June 30, 2018 for Kawana Springs Academy and Stony Point Academy.

Cause: Insufficient financial controls over student body activities.

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

Context: Testing was performed at a sample of the District's student body accounts.

Recommendation: We recommend that all sites that operate an ASB be able to produce an income statement or transaction summary over a given time period. In addition, bank reconciliations should be performed on a monthly basis. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

Corrective Action Plan: The District Office will develop a business procedure on behalf of the School Sites with template income statements and transaction summaries. Bank reconciliations by the School Site will be compiled by the District Office on a quarterly basis. The District will provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual as a point of reference.

Current Status: Not implemented, see Finding #2019-001.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-002 – BIDDING PROCEDURES (30000)

Criteria: *Public Contract Code (PCC)* requires school district governing boards to competitively bid and award any construction contracts involving an expenditure of more than \$15,000, adjusted for inflation, to the lowest responsible bidder.

Condition: Upon review of projects for the 2017-18 year, the district did not follow Public Contract Code regarding bidding procedures.

Cause: Inconsistent procedures involving bid practices.

Effect: If the District does not consistently follow *PCC* then contracts may get awarded to a vendor that was not the lowest responsible bidder and may end up causing the District to pay more for services or products and be out of compliance with *PCC*. In addition, the risk for fraud and material misstatement is increased.

Context: Audit of 1 project that went to bid resulted in the deficiencies noted above.

Recommendation: We recommend the District review their bid procedures to ensure that all contracts required to go to bid, do go to bid and all bids are awarded to the appropriate vendor. If the lowest bidder is not selected, then documentation around disqualification of the vendor must be on file.

Corrective Action: The District will review its bid procedures to ensure that all contracts required to go to bid follow the protocols established under the public contract code. The guidelines will be reviewed with the members of the District's business leadership team during subsequent cabinet meetings.

Current Status: Partially implemented, see Finding #2019-002

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-003: CASH RECEIPTS INTERNAL CONTROL (30000)

Criteria: Proper internal controls over cash receipts and revenue require proper supporting documentation to substantiate the expending or receipt of District funds. In addition, deposits should be made in a timely manner.

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:

- We noted deficiencies in the supporting documentation to support cash receipts and revenue. In most cases these transactions only had support from the financial system.
- Four (4) out of twenty-five (25) receipts selected for testing were not deposited in a timely manner.

Context: The audit included an evaluation of internal control procedures over cash receipts and revenue testing at the District Office.

Cause: Inadequate controls and monitoring over the cash receipt and revenue 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 that all cash receipt and revenue are supported by adequate supporting documentation in addition to the recording of these items in the financial system. In addition, we recommend that deposits be made in a timely manner.

Corrective Action Plan: The District's Chief Business Official will take direct ownership over this process from the Business Department and implement an updated procedure for issuing cash receipts which include the inclusion of adequate supporting documentation, recording of records in the financial information system, and timely depositing of funds.

Current Status: Partially implemented, see Finding #2019-003.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-004: 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 along with adequate support for the purchase.
- 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 7 of 25 credit cards transactions tested were missing receipts to support the transactions.

Context: 25 credit card transactions were tested during the months of August 2017, September 2017, January 2018, February 2018, March 2018 and April 2018.

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 strengthen 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.

Corrective Action Plan: The District will establish updated credit card use procedures that guide monthly reconciliation of receipts and monitoring of credit card purchases.

Current Status: Implemented.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-005: 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 four (4) out of twenty-five (25) disbursements tested had purchase orders dated after the invoice date.

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 was 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.

Corrective Action Plan: The District will work to ensure that all purchase orders are filed in a readily accessible location prior to the disbursement of funds. The Business Office shall establish a procedure that ensures the following three documents are always included: (1) A copy of the warrant, (2) itemized invoice, and (3) purchase order.

Current Status: Implemented.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-006: INSTRUCTIONAL MATERIALS (70000)

Criteria: Per Education Code Section 60119, the public hearing for instructional materials must occur on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District's public hearing for instructional materials occurred on October 7, 2018, which is after the eighth week from the first day of school year.

Cause: There were changes in personnel during this time which may have contributed to the late timing of the hearing.

Effect: The District is not in compliance with California Education Code Section 60119.

Context: The instructional materials public hearing was reviewed for Bellevue Union School District for the 2017-18 year.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the public hearing for instructional materials occurs on or before the end of the eighth week from the first day pupils attended school for that year.

Corrective Action Plan: The District will work to schedule a public hearing for instructional materials prior to the end of the 8th week from the first day pupils attend school for the year.

Current Status: Not implemented, see Finding #2019-006.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-007: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, an elementary school district should expend a minimum of 60% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2017-18 fiscal year, Bellevue Union Elementary School District did not meet the minimum percentage requirement.

Cause: The District has not met this requirement for the 2017-18 year. There recently was turnover in the District Office.

Context: The minimum percentage required by the State of California is 60% for an Elementary School District. Bellevue Union Elementary School District only spent 59.67% on classroom teacher salaries in the 2017-18 fiscal year.

Effect: The District's current expense of education for the year audited June 30, 2018 was \$16,493,460.99 and the total salaries and benefits for classroom teachers was \$9,841,952.05. The District was below the minimum required percentage of 60% by 0.33% which calculates out to a deficiency of \$54,428.42.

Questioned Costs: The questioned costs are the deficiency of \$54,428.42.

Recommendations: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 60% minimum requirement and to be in compliance with Education Code section 41372.

Corrective Action Plan: The District reduced its administrative overhead cost related to non-classroom salaries as part of its 2018-19 spending reduction plan. It is projected that the District will meet the 60% minimum percentage requirement in subsequent years.

Current Status: Implemented.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-008: ATTENDANCE REPORTING (10000)

Criteria: The Second Period and 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 reporting period, the auditor noted the following:

- Regular ADA: Total net understatement of 0.08 ADA, resulting from 0.24 ADA understatement in Grades TK/K-3 and 0.16 overstatement in Grades 4-6.

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

- Special Education – Nonpublic Schools: Total net understatement of 10.54 ADA, resulting from 4.56 ADA understatement in Grades TK/K-3 and 5.98 understatement in Grades 4-6.

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

Effect: Incorrect reporting of Regular ADA in the Second Period Report and Special Education – Nonpublic Schools ADA in the Annual Report can result in noncompliance with state regulations.

Questioned Costs: The fiscal impact is \$820.26 due to the District, as calculated in the table below. The errors noted for the District’s P2 Attendance Report have not been revised to reflect the revised P2 report listed on the Schedule of Average Daily Attendance.

	P2 ADA		2017-18	
	Understatement (Overstatement)		Derived Value of ADA by Grade Span	Questioned Cost
Grade TK-3	0.24	\$	9,506.17	\$ 2,281.48
Grade 4-6	(0.16)	\$	9,132.64	(1,461.22)
Total	<u>0.08</u>		Total	<u>\$ 820.26</u>

There is no question cost related to the error noted for the Annual Attendance Report since the District is not funded on Annual Attendance. The District’s Annual Attendance Report has not been revised to reflect the revised Annual report listing on the Schedule of Average Daily Attendance.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-008: ATTENDANCE REPORTING (10000) (continued)

Recommendation: We recommend that proper procedures be established to ensure that the data within the attendance system and data reported on the Second Period Attendance Report are accurate.

Corrective Action Plan: The District will review its attendance reporting procedures with each Site and ensure that monthly reconciliations are performed.

Current Status: Not Implemented, see Finding #2019-007.

FINDING #2018-009: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) (who are not directly certified) and/or English Learner 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. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: The following errors were noted during the testing of the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report for Stony Point Academy:

- 1 out of 4 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM and English Learner was not properly designated as FRPM or English Learner. This error rate was extrapolated to the population of the test resulting in a total error of 4 students.
- 1 out of 4 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English Learner was not properly designated as an English Learner. This error rate was extrapolated to the population of the test resulting in a total error of 3 students.

Combining the two exceptions noted above, this resulted in a total error of 7 students that were not properly classified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report.

Cause: Incorrect classification of students. This error was noted due to the fact that Stony Point Academy closed on June 30, 2018 and documentation could not be located.

Effect: The District is not in compliance with State requirements.

Context: 7 of 282 (84 in 2015-16, 94 in 2016-17, and 104 in 2017-18) students reported in Stony Point Academy's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-009: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: \$6,268, as calculated below:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			387	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			283	
3	Audit Adjustment - Number of Enrollment				
4	Audit Adjustment - Number of Unduplicated Pupil Count			(7)	
5	Revised Adjusted Enrollment			387	
6	Revised Adjusted Unduplicated Pupil Count			276	
7	UPP calculated as of P-2			0.7313	
8	Revised UPP for audit finding			0.7132	
9	Charter Schools Only: Determinative School District Concentration Cap			0.9048	
10	Revised UPP adjusted for Concentration Cap			0.7132	
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	0.66	0.19	75.93	64.21
10	Adjusted Base Grant per ADA	\$7,941	\$7,301	\$7,518	\$8,939
11	Target Supplemental Grant Funding calculated as of P-2				\$168,410
12	Revised Target Supplemental Grant Funding for audit finding				\$164,243
13	Target Supplemental Grant Funding audit adjustment				(\$4,167)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$104,379
15	Revised Target Concentration Grant Funding for audit finding				\$93,958
16	Target Concentration Grant Funding audit adjustment				(\$10,421)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$14,588)
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				0.4296644273
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$6,268)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-009: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

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

Corrective Action Plan: The District will review its CalPADS reporting procedures to ensure that proper supporting documentation is tagged to each student designation.

Current Status: Implemented.