

**BELLEVUE UNION ELEMENTARY SCHOOL
DISTRICT**

**AUDIT REPORT
JUNE 30, 2016**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the Bellevue Union Elementary School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bellevue Union Elementary School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 13, 2016

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

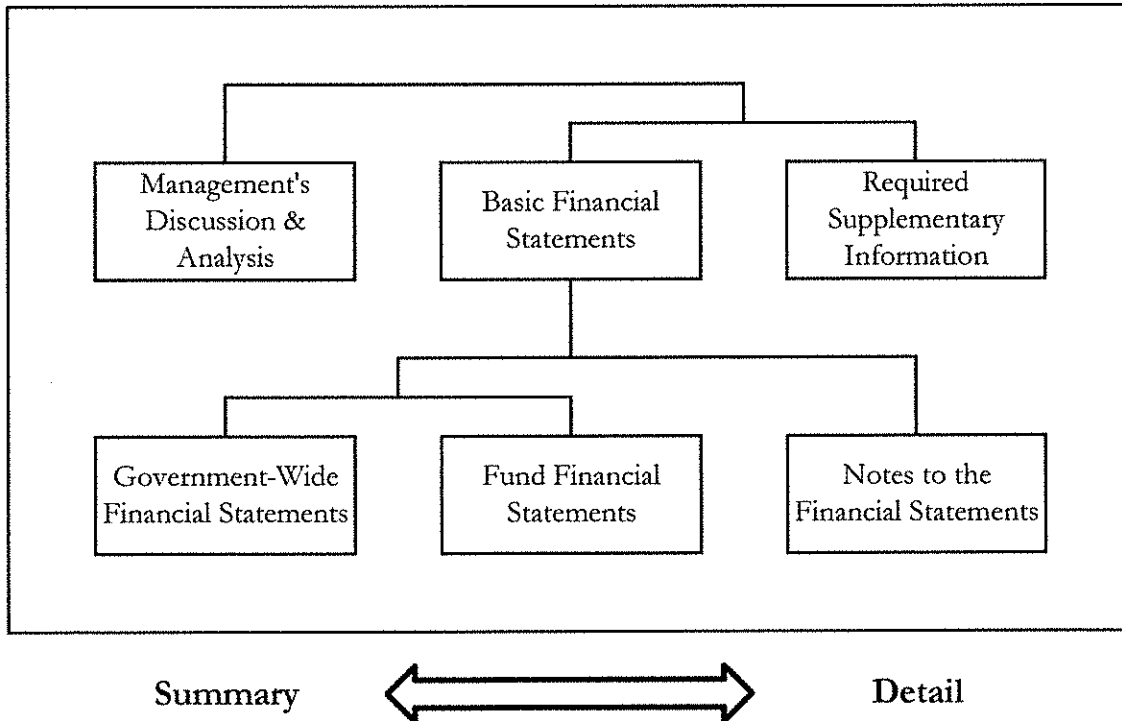
Our discussion and analysis of Bellevue Union Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$3,142,658 at June 30, 2016. This was an increase of \$320,678 from the prior year.
- Overall revenues were \$27,540,798 which exceeded expenses of \$27,220,120.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$3,142,658 at June 30, 2016, as reflected in table below. Of this amount, \$(11,096,811) 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		
	2016	2015	Net Change
ASSETS			
Current and other assets	\$ 19,114,392	\$ 14,593,273	\$ 4,521,119
Capital assets	41,478,705	36,467,669	5,011,036
Total Assets	60,593,097	51,060,942	9,532,155
DEFERRED OUTFLOWS OF RESOURCES	1,747,195	960,848	786,347
LIABILITIES			
Current liabilities	5,468,296	15,062,973	(9,594,677)
Long-term liabilities	50,832,489	31,015,694	19,816,795
Total Liabilities	56,300,785	46,078,667	10,222,118
DEFERRED INFLOWS OF RESOURCES	2,896,849	3,121,143	(224,294)
NET POSITION			
Net investment in capital assets	8,903,558	17,321,458	(8,417,900)
Restricted	5,335,911	5,624,475	(288,564)
Unrestricted	(11,096,811)	(20,123,953)	9,027,142
Total Net Position	\$ 3,142,658	\$ 2,821,980	\$ 320,678

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2016	2015	Net Change
REVENUES			
Program revenues			
Operating grants and contributions	\$ 5,883,461	\$ 6,384,709	\$ (501,248)
General revenues			
Property taxes	9,707,951	8,679,960	1,027,991
Unrestricted federal and state aid	10,929,205	8,346,498	2,582,707
Other	1,020,181	625,746	394,435
Total Revenues	27,540,798	24,036,913	3,503,885
EXPENSES			
Instruction	15,036,047	15,803,518	(767,471)
Instruction-related services	2,276,258	1,391,642	884,616
Pupil services	3,554,118	2,544,607	1,009,511
General administration	1,424,770	1,449,652	(24,882)
Plant services	1,301,429	1,186,799	114,630
Ancillary and community services	582,949	722,507	(139,558)
Debt service	2,199,910	1,785,236	414,674
Other Outgo	(4,491)	357,754	(362,245)
Depreciation	849,130	-	849,130
Total Expenses	27,220,120	25,241,715	1,978,405
Change in net position	320,678	(1,204,802)	1,525,480
Net Position - Beginning*	2,821,980	4,026,782	(1,204,802)
Net Position - Ending	\$ 3,142,658	\$ 2,821,980	\$ 320,678

* Beginning Net Position was restated for the 2015 year only

The cost of all our governmental activities this year was \$27,220,120 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$9,707,951 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$5,883,461).

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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	
	2016	2015
Instruction	\$ 11,757,847	\$ 11,994,307
Instruction-related services	1,961,733	1,168,524
Pupil services	2,224,746	1,187,279
General administration	1,411,302	1,380,472
Plant services	1,295,287	1,101,728
Ancillary and community services	(172,812)	67,299
Debt service	2,199,910	1,785,236
Transfers to other agencies	(190,484)	172,161
Depreciation	849,130	-
Total Expenses	\$ 21,336,659	\$ 18,857,006

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$15,327,379, which is more than last year's ending fund balance of \$12,521,280. The District's General Fund had \$579,061 less in operating revenues than expenditures for the year ended June 30, 2016. The District's Building Fund had \$4,549,843 less in operating revenues than expenditures for the year ended June 30, 2016. The District's Bond Interest and Redemption Fund had \$157,391 more in operating revenues than expenditures for the year ended June 30, 2016.

CURRENT YEAR BUDGET 2015-16

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$41,478,705 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2016	2015	Net Change
CAPITAL ASSETS			
Land	\$ 4,316,397	\$ 4,316,397	\$ -
Construction in progress	6,885,183	1,105,705	5,779,478
Land improvements	6,508,785	6,508,785	-
Buildings & improvements	35,213,198	35,213,198	-
Furniture & equipment	877,774	797,086	80,688
Accumulated depreciation	(12,322,632)	(11,473,502)	(849,130)
Total Capital Assets	\$ 41,478,705	\$ 36,467,669	\$ 5,011,036

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$50,832,489 in long-term debt, an increase of 20% from last year – as shown in table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2016	2015	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 37,297,968	\$ 29,434,520	\$ 7,863,448
Capital leases	2,188,646	2,265,946	(77,300)
Early retirement incentive	9,557	19,113	(9,556)
Compensated absences	121,413	80,405	41,008
Net pension liability	12,596,917	11,898,261	698,656
Less: current portion of long-term debt	(1,382,012)	(1,282,261)	(99,751)
Total Long-term Liabilities	\$ 50,832,489	\$ 42,415,984	\$ 8,416,505

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

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, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2016-17 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 Joel Dontos, Bellevue Union Elementary School District, 3150 Education Drive, Santa Rosa, CA 95407.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 17,678,109
Accounts receivable	1,436,283
Capital assets, not depreciated	11,201,580
Capital assets, net of accumulated depreciation	30,277,125
Total Assets	<u>60,593,097</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,747,195
Total Deferred Outflows of Resources	<u>1,747,195</u>
LIABILITIES	
Accrued liabilities	4,071,278
Unearned revenue	15,006
Long-term liabilities, current portion	1,382,012
Long-term liabilities, non-current portion	50,832,489
Total Liabilities	<u>56,300,785</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,896,849
Total Deferred Inflows of Resources	<u>2,896,849</u>
NET POSITION	
Net investment in capital assets	8,903,558
Restricted:	
Capital projects	898,766
Debt service	3,511,794
Educational programs	619,710
All others	305,641
Unrestricted	(11,096,811)
Total Net Position	<u>\$ 3,142,658</u>

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, 2016**

Function/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Governmental Activities
GOVERNMENTAL ACTIVITIES			
Instruction	\$ 15,036,047	\$ 3,278,200	\$ (11,757,847)
Instruction-related services			
Instructional supervision and administration	917,266	233,904	(683,362)
Instructional library, media, and technology	174,724	-	(174,724)
School site administration	1,184,268	80,621	(1,103,647)
Pupil services			
Home-to-school transportation	1,567,191	2,048	(1,565,143)
Food services	1,004,454	1,068,927	64,473
All other pupil services	982,473	258,397	(724,076)
General administration			
Centralized data processing	8,960	-	(8,960)
All other general administration	1,415,810	13,468	(1,402,342)
Plant services	1,301,429	6,142	(1,295,287)
Community services	582,949	755,761	172,812
Interest on long-term debt	2,199,910	-	(2,199,910)
Other Outgo	(4,491)	185,993	190,484
Depreciation (unallocated)	849,130	-	(849,130)
Total Governmental Activities	\$ 27,220,120	\$ 5,883,461	(21,336,659)
General revenues			
Taxes and subventions			
Property taxes, levied for general purposes			7,530,725
Property taxes, levied for debt service			2,124,134
Property taxes, levied for other specific purposes			53,092
Federal and state aid not restricted for specific purposes			10,929,205
Interest and investment earnings			76,124
Miscellaneous			944,057
Subtotal, General Revenue			21,657,337
CHANGE IN NET POSITION			320,678
Net Position - Beginning			2,821,980
Net Position - Ending			\$ 3,142,658

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,643,871	\$ 8,986,117	\$ 3,811,065	\$ 1,237,056	\$ 17,678,109
Accounts receivable	1,318,024	-	-	118,259	1,436,283
Total Assets	\$ 4,961,895	\$ 8,986,117	\$ 3,811,065	\$ 1,355,315	\$ 19,114,392
LIABILITIES					
Accrued liabilities	\$ 1,602,426	\$ 2,074,650	\$ -	\$ 94,931	\$ 3,772,007
Unearned revenue	-	-	-	15,006	15,006
Total Liabilities	1,602,426	2,074,650	-	109,937	3,787,013
FUND BALANCES					
Nonspendable	2,500	-	-	1,000	3,500
Restricted	619,710	6,911,467	3,811,065	1,204,408	12,546,650
Committed	-	-	-	39,970	39,970
Unassigned	2,737,259	-	-	-	2,737,259
Total Fund Balances	3,359,469	6,911,467	3,811,065	1,245,378	15,327,379
Total Liabilities and Fund Balances	\$ 4,961,895	\$ 8,986,117	\$ 3,811,065	\$ 1,355,315	\$ 19,114,392

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, 2016**

Total Fund Balance - Governmental Funds \$ 15,327,379

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	\$ 53,801,337	
Accumulated depreciation	(12,322,632)	41,478,705

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:

(299,271)

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	\$ 37,297,968	
Capital leases	2,188,646	
Early retirement incentive	9,557	
Compensated absences	121,413	
Net pension liability	12,596,917	(52,214,501)

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	1,747,195	
Deferred inflows of resources related to pensions	(2,896,849)	(1,149,654)

Total Net Position - Governmental Activities \$ 3,142,658

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 17,033,697	\$ -	\$ -	\$ -	\$ 17,033,697
Federal sources	1,775,815	-	185,993	1,058,752	3,020,560
Other state sources	2,876,971	-	14,882	82,447	2,974,300
Other local sources	2,183,929	18,208	2,402,086	107,819	4,712,042
Total Revenues	23,870,412	18,208	2,602,961	1,249,018	27,740,599
EXPENDITURES					
Current					
Instruction	15,544,084	-	-	-	15,544,084
Instruction-related services					
Instructional supervision and administration	922,434	-	-	-	922,434
Instructional library, media, and technology	174,745	-	-	-	174,745
School site administration	1,218,899	-	-	-	1,218,899
Pupil services					
Home-to-school transportation	1,567,191	-	-	-	1,567,191
Food services	-	-	-	1,005,719	1,005,719
All other pupil services	990,145	-	-	-	990,145
General administration					
Centralized data processing	8,960	-	-	-	8,960
All other general administration	1,415,272	-	-	-	1,415,272
Plant services	1,301,186	3,400	-	1,608	1,306,194
Facilities acquisition and maintenance	537,336	4,564,651	-	677,492	5,779,479
Community services	582,949	-	-	-	582,949
Transfers to other agencies	-	-	-	23,363	23,363
Debt service					
Principal	77,300	-	1,215,000	-	1,292,300
Interest and other	108,972	-	1,230,570	-	1,339,542
Total Expenditures	24,449,473	4,568,051	2,445,570	1,708,182	33,171,276
Excess (Deficiency) of Revenues					
Over Expenditures	(579,061)	(4,549,843)	157,391	(459,164)	(5,430,677)
Other Financing Sources (Uses)					
Other sources	-	7,800,000	436,776	-	8,236,776
Net Financing Sources (Uses)	-	7,800,000	436,776	-	8,236,776
NET CHANGE IN FUND BALANCE	(579,061)	3,250,157	594,167	(459,164)	2,806,099
Fund Balance - Beginning	3,938,530	3,661,310	3,216,898	1,704,542	12,521,280
Fund Balance - Ending	\$ 3,359,469	\$ 6,911,467	\$ 3,811,065	\$ 1,245,378	\$ 15,327,379

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, 2016**

Net Change in Fund Balances - Governmental Funds \$ 2,806,099

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:	\$	5,860,166	
Depreciation expense:		<u>(849,130)</u>	5,011,036

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:

1,292,300

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(8,236,776)

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:

9,158

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.

(869,526)

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 BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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: (41,008)

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: 311,985

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 9,556

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: 27,854

Change in Net Position of Governmental Activities \$ 320,678

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 25,249
Total Assets	<u>\$ 25,249</u>
 LIABILITIES	
Due to student groups	\$ 25,249
Total Liabilities	<u>\$ 25,249</u>

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

Major Governmental Funds

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

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*).

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

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

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

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.*).

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.

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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

Interfund Balances

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 for the year ended June 30, 2016.

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

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 17,674,609	\$ -
Cash on hand and in banks	-	25,249
Cash in revolving fund	3,500	-
Total cash and investments	\$ 17,678,109	\$ 25,249

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, 2016

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 \$17,688,749 and an amortized book value of \$17,674,609. The average weighted maturity for this pool is 828 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, 2016, the pooled investments in the County Treasury were not rated.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

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, 2016, 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, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 17,688,749
Total fair market value of investments	\$ 17,688,749

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government			
Categorical aid	\$ 259,545	\$ 109,125	\$ 368,670
State Government			
Apportionment	119,839	-	119,839
Categorical aid	74,006	9,134	83,140
Lottery	199,132	-	199,132
Local Government			
Other local sources	665,502	-	665,502
Total	\$ 1,318,024	\$ 118,259	\$ 1,436,283

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,316,397	\$ -	\$ -	\$ 4,316,397
Construction in progress	1,105,705	5,779,478	-	6,885,183
Total Capital Assets not Being Depreciated	5,422,102	5,779,478	-	11,201,580
Capital assets being depreciated				
Land improvements	6,508,785	-	-	6,508,785
Buildings & improvements	35,213,198	-	-	35,213,198
Furniture & equipment	797,086	80,688	-	877,774
Total Capital Assets Being Depreciated	42,519,069	80,688	-	42,599,757
Less Accumulated Depreciation				
Land improvements	2,058,967	273,877	-	2,332,844
Buildings & improvements	9,146,405	514,394	-	9,660,799
Furniture & equipment	268,130	60,859	-	328,989
Total Accumulated Depreciation	11,473,502	849,130	-	12,322,632
Governmental Activities				
Capital Assets, net	\$ 36,467,669	\$ 5,011,036	\$ -	\$ 41,478,705

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental		Total Governmental
			Funds	District-Wide	
Payroll	\$ 27,854	\$ -	\$ 251	\$ -	\$ 28,105
Construction	-	2,074,650	-	-	2,074,650
Vendors payable	1,574,572	-	94,680	-	1,669,252
Unmatured interest	-	-	-	299,271	299,271
Total	\$ 1,602,426	\$ 2,074,650	\$ 94,931	\$ 299,271	\$ 4,071,278

NOTE 6 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted \$15,006 of federal sources within the Cafeteria Fund.

NOTE 7 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance			Balance	Balance Due
	July 01, 2015	Additions	Deductions		
Governmental Activities					
General obligation bonds	\$ 28,650,230	\$ 8,669,526	\$ 1,215,000	\$ 36,104,756	\$ 1,329,551
Unamortized premium	784,290	436,776	27,854	1,193,212	42,904
Total general obligation bonds	29,434,520	9,106,302	1,242,854	37,297,968	1,372,455
Capital leases	2,265,946	-	77,300	2,188,646	-
Early retirement incentive	19,113	-	9,556	9,557	9,557
Compensated absences	80,405	41,008	-	121,413	-
Net pension liability	11,898,261	698,656	-	12,596,917	-
Total	\$ 43,698,245	\$ 9,845,966	\$ 1,329,710	\$ 52,214,501	\$ 1,382,012

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

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$121,413. 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, 2016

NOTE 7 – LONG-TERM DEBT (continued)

B. General Obligation Bonds

The outstanding general obligation debt of the District at June 30, 2016 is:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2016
					Outstanding July 01, 2015	Additions	Deductions	
1997 CAB	1997	2021	5.1-5.8%	\$ 4,393,374	\$ 6,101,181	\$ 359,345	\$ 875,000	\$ 5,585,526
2000 CAB	2000	2024	5.4-6.3%	\$ 2,976,210	6,121,905	431,218	340,000	6,213,123
2008 Series A	2009	2033	4.25-7.0%	\$ 6,500,000	6,290,000	-	-	6,290,000
2011 Series A	2012	2036	11.41%	\$ 378,528	577,936	37,726	-	615,662
2011 Series B	2012	2029	5.00%	\$ 4,350,000	4,350,000	-	-	4,350,000
2011 Series C	2012	2042	6.94-7.25%	\$ 774,040	1,009,208	41,237	-	1,050,445
2014 Series A	2015	2045	3.0-5.0%	\$ 4,200,000	4,200,000	-	-	4,200,000
2014 Series B	2016	2037	2.0-4.0%	\$ 7,800,000	-	7,800,000	-	7,800,000
					<u>\$ 28,650,230</u>	<u>\$ 8,669,526</u>	<u>\$ 1,215,000</u>	<u>\$ 36,104,756</u>

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2016 were as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 1,329,551	\$ 1,731,869	\$ 3,061,420
2018	779,559	1,915,091	2,694,650
2019	678,092	2,011,027	2,689,119
2020	741,420	2,101,136	2,842,556
2021	815,570	2,212,539	3,028,109
2022 - 2026	4,656,529	10,583,363	15,239,892
2027 - 2031	8,671,967	3,412,169	12,084,136
2032 - 2036	2,596,561	4,739,817	7,336,378
2037 - 2041	3,549,990	4,631,235	8,181,225
2042 - 2046	4,084,050	1,253,475	5,337,525
Accretion	8,201,467	(8,201,467)	-
Total	\$ 36,104,756	\$ 26,390,254	\$ 62,495,010

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 7 – LONG-TERM DEBT (continued)

C. Capital Leases

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

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2017	\$ 192,630
2018	199,167
2019	205,887
2020	212,791
2021	197,676
2022 - 2026	1,087,272
2027 - 2030	<u>997,461</u>
Total minimum lease payments	3,092,884
Less amount representing interest	<u>(904,238)</u>
Present value of minimum lease payments	<u>\$ 2,188,646</u>

D. Early Retirement Incentives

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

The District's future obligation to fund the plan for two retirees is as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2017	\$ 9,557

E. Net Pension Liability

The District's beginning net pension liability was \$11,898,261 and increased by \$698,656 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$12,596,917. See Note 9 for additional information regarding the net pension liability.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 2,500	\$ -	\$ -	\$ 1,000	\$ 3,500
Total non-spendable	2,500	-	-	1,000	3,500
Restricted					
Educational programs	619,710	-	-	-	619,710
Capital projects	-	6,911,467	-	898,767	7,810,234
Debt service	-	-	3,811,065	-	3,811,065
All others	-	-	-	305,641	305,641
Total restricted	619,710	6,911,467	3,811,065	1,204,408	12,546,650
Committed					
Other commitments	-	-	-	39,970	39,970
Total committed	-	-	-	39,970	39,970
Unassigned					
Remaining unassigned	2,737,259	-	-	-	2,737,259
Total unassigned	2,737,259	-	-	-	2,737,259
Total	\$ 3,359,469	\$ 6,911,467	\$ 3,811,065	\$ 1,245,378	\$ 15,327,379

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, 2016

NOTE 9 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 9,545,903	\$ 879,212	\$ 2,604,917	\$ 461,364
PERS Pension	3,051,014	867,983	291,932	414,906
Total	\$ 12,596,917	\$ 1,747,195	\$ 2,896,849	\$ 876,270

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

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

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

CalSTRS 2% at 60

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

Benefits provided (continued)

CalSTRS 2% at 62

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, 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 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$879,212 for the year ended June 30, 2016.

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 \$590,777 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, 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	\$ 9,545,903
State's proportionate share of the net pension liability associated with the District	5,048,716
Total	<u>\$ 14,594,619</u>

The net pension liability was measured as of June 30, 2015, 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, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.014 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2014.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$461,364. In addition, the District recognized pension expense and revenue of \$390,976 for support provided by the State. At June 30, 2016, 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	\$ -	\$ 778,146
Differences between expected and actual experience	-	159,514
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,667,257
District contributions subsequent to the measurement date	879,212	-
	<u>\$ 879,212</u>	<u>\$ 2,604,917</u>

The \$879,212 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, 2017. 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 Inflows of Resources</u>
2017	\$ 498,998
2018	498,998
2019	498,998
2020	498,998
2021	304,462
2022	304,463
	<u>\$ 2,604,917</u>

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

* 10-year geometric average

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

Discount rate

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
	<hr/>	<hr/>	<hr/>
District’s proportionate share of the net pension liability	\$ 14,413,570	\$ 9,545,903	\$ 5,500,478

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, 2016

NOTE 9 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$390,043 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$3,051,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.021 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2014.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$414,906. At June 30, 2016, 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	\$ -	\$ 104,469
Differences between expected and actual experience	174,369	-
Changes in assumptions	-	187,463
Changes in proportion and differences between District contributions and proportionate share of contributions	384,571	-
District contributions subsequent to the measurement date	309,043	-
	<u>\$ 867,983</u>	<u>\$ 291,932</u>

The \$309,043 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, 2017. 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>
2017	\$ 192,738	\$ 90,760
2018	192,738	90,760
2019	173,464	84,295
2020	-	26,117
	<u>\$ 558,940</u>	<u>\$ 291,932</u>

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 9 – PENSION PLANS (continued)

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

Actuarial assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

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

Discount rate

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 4,965,779	\$ 3,051,014	\$ 1,458,759

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, 2016

NOTE 10 – 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, 2016.

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, 2016.

C. Construction Commitments

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of \$5,114,632.

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

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

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 12 – SUBSEQUENT EVENT

Effective June 30, 2016, Kawana Springs Elementary School transitioned from a charter school to a non-charter school site within the District. At the start of the 2016-17 school year, Stony Point Academy transitioned from an independent charter school to a dependent charter school.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 16,396,780	\$ 16,916,348	\$ 17,033,697	\$ 117,349
Federal sources	1,200,063	1,515,788	1,775,815	260,027
Other state sources	930,371	1,773,746	2,876,971	1,103,225
Other local sources	1,425,969	1,676,039	2,183,929	507,890
Total Revenues	19,953,183	21,881,921	23,870,412	1,988,491
EXPENDITURES				
Certificated salaries	7,605,189	7,852,343	8,295,478	(443,135)
Classified salaries	2,237,440	2,463,686	2,637,942	(174,256)
Employee benefits	2,762,966	2,940,886	3,633,457	(692,571)
Books and supplies	1,059,775	1,476,641	1,695,023	(218,382)
Services and other operating expenditures	5,445,587	6,225,817	7,448,916	(1,223,099)
Capital outlay	293,459	225,872	552,385	(326,513)
Other outgo				
Excluding transfers of indirect costs	521,467	1,058,293	186,272	872,021
Total Expenditures	19,925,883	22,243,538	24,449,473	(2,205,935)
NET CHANGE IN FUND BALANCE	27,300	(361,617)	(579,061)	(217,444)
Fund Balance - Beginning	3,938,530	3,938,530	3,938,530	-
Fund Balance - Ending	\$ 3,965,830	\$ 3,576,913	\$ 3,359,469	\$ (217,444)

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.014%	0.017%
District's proportionate share of the net pension liability	\$ 9,545,903	\$ 9,934,290
States's proportionate share of the net pension liability associated with the District	5,048,716	6,083,729
Total	<u>\$ 14,594,619</u>	<u>\$ 16,018,019</u>
District's covered-employee payroll	\$ 8,102,865	\$ 7,166,888
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	117.8%	138.6%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.021%	0.017%
District's proportionate share of the net pension liability	\$ 3,051,014	\$ 1,963,971
District's covered-employee payroll	\$ 2,613,482	\$ 1,885,925
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116.7%	104.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

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

*Amounts do not include on behalf contributions

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

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

See accompanying note to required supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2016**

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-employee payroll, the District’s proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered-employee payroll, and the pension plan’s fiduciary net position as a percentage of the total pension liability.

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the District incurred no excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 7,852,343	\$ 8,295,478	\$ 443,135
Classified salaries	\$ 2,463,686	\$ 2,637,942	\$ 174,256
Employee benefits	\$ 2,940,886	\$ 3,633,457	\$ 692,571
Books and supplies	\$ 1,476,641	\$ 1,695,023	\$ 218,382
Services and other operating expenditures	\$ 6,225,817	\$ 7,448,916	\$ 1,223,099
Capital outlay	\$ 225,872	\$ 552,385	\$ 326,513

**SUPPLEMENTARY
INFORMATION**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic School Support	84.010	14416	\$ 648,052
Title I, School Improvement Grant (SIG) for QEIA Schools	84.377	14971	389,356
Title II, Part A, Teacher Quality	84.367	14341	81,661
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	109,650
Title III, Immigrant Education Program	84.365	15146	4,540
Subtotal Title III			<u>114,190</u>
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	349,006
Part B, Preschool Grants	84.173	13430	25,587
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	35,370
Subtotal Special Education Cluster			<u>409,963</u>
Total U. S. Department of Education			<u><u>1,643,222</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Severe Need School Breakfast Program	10.553	13526	279,600
National School Lunch Program	10.555	13391	705,907
USDA Commodities	10.555	*	73,245
Subtotal Child Nutrition Cluster			<u>1,058,752</u>
Total U. S. Department of Agriculture			<u><u>1,058,752</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medicaid			
Medi-Cal Billing Option	93.778	10013	111,618
Medi-Cal Administrative Activities	93.778	10060	123,809
Subtotal Medicaid			<u>235,427</u>
Total U. S. Department of Health & Human Services			<u>235,427</u>
Total Federal Expenditures			<u><u>\$ 2,937,401</u></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, 2016**

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	760.36	761.16	761.95	761.44
Special Education - Nonpublic Schools	1.95	1.95	2.24	2.24
Extended Year Special Education - Nonpublic Schools	0.13	0.13	0.13	0.13
Total TK/K through Third	762.44	763.24	764.32	763.81
Fourth through Sixth				
Regular ADA	557.62	557.62	558.33	558.33
Special Education - Nonpublic Schools	4.52	4.52	4.91	4.89
Extended Year Special Education - Nonpublic Schools	0.52	0.52	0.52	0.52
Total Fourth through Sixth	562.66	562.66	563.76	563.74
TOTAL SCHOOL DISTRICT	1,325.10	1,325.90	1,328.08	1,327.55

Kawana Academy of Arts and Sciences

	Second Period Report	Annual Report	Revised Annual Report
CHARTER SCHOOL			
CLASSROOM-BASED CHARTER SCHOOL			
Classroom-based TK/K through Third			
Regular ADA	215.27	216.64	216.64
Total Classroom-based TK/K through Third	215.27	216.64	216.64
Classroom-based Fourth through Sixth			
Regular ADA	165.43	15.61	152.61
Total Classroom-based Fourth through Sixth	165.43	15.61	152.61
TOTAL CLASSROOM-BASED CHARTER SCHOOL	380.70	232.25	369.25
NON CLASSROOM-BASED CHARTER SCHOOL			
Non Classroom-based Fourth through Sixth			
Regular ADA	0.19	137.23	0.23
Total Non Classroom-based Fourth through Sixth	0.19	137.23	0.23
TOTAL NON CLASSROOM-BASED CHARTER SCHOOL	0.19	137.23	0.23

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2016**

Grade Level	Minutes Requirement	2015-16		Status
		Actual Minutes	Number of Days	
Kindergarten	36,000	52,370	180	Complied
Grade 1	50,400	54,775	180	Complied
Grade 2	50,400	54,775	180	Complied
Grade 3	50,400	54,775	180	Complied
Grade 4	54,000	54,775	180	Complied
Grade 5	54,000	54,775	180	Complied
Grade 6	54,000	54,775	180	Complied

Kawana Academy of Arts and Sciences

Grade Level	Minutes Requirement	2015-16		Status
		Actual Minutes	Number of Days	
Kindergarten	36,000	52,370	180	Complied
Grade 1	50,400	54,775	180	Complied
Grade 2	50,400	54,775	180	Complied
Grade 3	50,400	54,775	180	Complied
Grade 4	54,000	54,775	180	Complied
Grade 5	54,000	54,775	180	Complied
Grade 6	54,000	54,775	180	Complied

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 22,285,865	\$ 23,870,412	\$ 19,881,434	\$ 18,039,799
Expenditures And Other Financing Uses	22,034,868	24,449,473	21,903,741	18,603,292
Net change in Fund Balance	\$ 250,997	\$ (579,061)	\$ (2,022,307)	\$ (563,493)
Ending Fund Balance	\$ 3,610,466	\$ 3,359,469	\$ 3,938,530	\$ 5,960,837
Available Reserves*	\$ 2,777,634	\$ 2,737,259	\$ 3,143,314	\$ 4,575,497
Available Reserves As A Percentage Of Outgo	12.61%	11.20%	14.35%	24.60%
Long-term Debt	\$ 50,832,489	\$ 52,214,501	\$ 31,015,694	\$ 27,169,739
Average Daily Attendance At P-2	1,707	1,707	1,727	1,731

The General Fund balance has decreased by \$2,601,368 over the past two years. The fiscal year 2016-17 budget projects an increase of \$250,997. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years but anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$25,044,762 over the past two years.

Average daily attendance has decreased by 24 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year.

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

Charter School	Status	Included in Audit Report
Kawana Academy of Arts and Sciences	Active	Yes
Stony Point Academy	Active	No

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2016**

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 218,706	\$ 39,970	\$ 978,374	\$ 6	\$ 1,237,056
Accounts receivable	118,259	-	-	-	118,259
Total Assets	\$ 336,965	\$ 39,970	\$ 978,374	\$ 6	\$ 1,355,315
LIABILITIES					
Accrued liabilities	\$ 15,318	\$ -	\$ 79,613	\$ -	\$ 94,931
Unearned revenue	15,006	-	-	-	15,006
Total Liabilities	30,324	-	79,613	-	109,937
FUND BALANCES					
Non-spendable	1,000	-	-	-	1,000
Restricted	305,641	-	898,761	6	1,204,408
Committed	-	39,970	-	-	39,970
Total Fund Balances	306,641	39,970	898,761	6	1,245,378
Total Liabilities and Fund Balance	\$ 336,965	\$ 39,970	\$ 978,374	\$ 6	\$ 1,355,315

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, 2016**

	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 1,058,752	\$ -	\$ -	\$ -	\$ 1,058,752
Other state sources	82,447	-	-	-	82,447
Other local sources	973	289	106,557	-	107,819
Total Revenues	1,142,172	289	106,557	-	1,249,018
EXPENDITURES					
Current					
Pupil services					
Food services	1,005,719	-	-	-	1,005,719
General administration					
Plant services	-	-	1,608	-	1,608
Facilities acquisition and maintenance	-	-	677,492	-	677,492
Transfers to other agencies	-	-	23,363	-	23,363
Total Expenditures	1,005,719	-	702,463	-	1,708,182
NET CHANGE IN FUND BALANCE	136,453	289	(595,906)	-	(459,164)
Fund Balance - Beginning	170,188	39,681	1,494,667	6	1,704,542
Fund Balance - Ending	\$ 306,641	\$ 39,970	\$ 898,761	\$ 6	\$ 1,245,378

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

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 2018
Sharon Ligon	Vice-President	December 2016
Victor Ayala	Trustee	December 2018
Yvonne Kennedy	Trustee	December 2016
Victor Merrida-Grant	Trustee	December 2018

DISTRICT ADMINISTRATORS

Alicia Henderson
Superintendent

Joel Dontos
Chief Business Official

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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, 2016 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2016.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 3,020,560
Title I, School Improvement Grant (SIG) for QEIA Schools	84.377	(8,784)
Medi-Cal Billing Option	93.778	111,618
Qualified School Construction Bond Interest Subsidy	N/A	<u>(185,993)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 2,937,401</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, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Bellevue Union Elementary School District
Santa Rosa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bellevue Union Elementary School District, as of and for the year ended June 30, 2016, 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, 2016.

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.

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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 Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2016-1 through #2016-4)

Compliance and Other Matters

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

Bellevue Union Elementary School District's Response to Findings

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 13, 2016

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, 2016. 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.

Christy White, CPA

Michael Ash, CPA

Heather Rubio

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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, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Christy White Associates

San Diego, California
December 13, 2016

REPORT ON STATE COMPLIANCE

Independent 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel 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, 2016, 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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.

Christy White, CPA

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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, 2016.

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 items #2016-5 through #2016-8. 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:

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

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

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

We did not perform testing for nonclassroom-based instruction/independent study for charter schools because the ADA does not meet the threshold requiring testing.

Christy White Associates

San Diego, California
December 13, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>10.555 & 10.553</u>	<u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

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

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

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

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

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

Cause: Insufficient controls over purchasing and budgeting cycles.

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

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS , continued
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

Cause: Inadequate controls over cash receipting.

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

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

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

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

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING #2016-04: REVOLVING CASH (30000)

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

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

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

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

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

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

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

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS , continued
FOR THE YEAR ENDED JUNE 30, 2016**

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

Questioned Costs, continued:

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

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2016-06: ATTENDANCE REPORTING (10000)

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

Condition:

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

Second Period Attendance Report (Corrected with Revised P2):

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

Annual Attendance Report (Corrected with Revised Annual):

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

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

Annual Attendance Report (Corrected on Revised Annual):

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

Revised Annual Attendance Report:

- **Classroom-Based ADA:** Total net understatement of 12.64 ADA, resulting from 12.64 ADA understatements in Grade 4-6.

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

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

Questioned Costs: The errors noted for the District's P2 and Annual report have been revised, as shown in the revised P2 and revised Annual reports. For Kawana, the errors noted on the Annual Report were revised; however we noted additional errors on the revised Annual report that requires additional revision. The questioned cost for this understatement is 12.64, multiplied by the current year base grant per ADA in grades 4-6 (\$7,189), totaling \$90,868.96.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS , continued
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

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

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

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

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

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

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS , continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING #2016-08: INSTRUCTIONAL MATERIALS (70000)

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

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

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

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

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

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

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

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

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2015-1: CONTROLS FOR PROCESSING JOURNAL ENTRIES (30000)

Criteria: Proper internal accounting controls include segregation of duties that require journal entries are reviewed by someone other than the person creating the entry, knowledgeable about accounting principles prior to entry to the general ledger.

Condition: Journal entries created and posted by the CBO are not reviewed by a second knowledgeable person.

Questioned Cost: The condition referred to above was the result of our testing of an attribute of the control system.

Cause: The District does not have a policy requiring secondary review of journal entries.

Effect: Without a review and approval for each journal entry, there is an increased risk that an inappropriate entry may be recorded to the District's general ledger either by mistake or intentionally, and not be detected by a District employee performing their regular duties.

Context: The following issue was found:

Recommendation: The review of each entry by a second knowledgeable person should be documented. A copy of each entry should be printed, and filed with supporting documentation attached.

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

Current Status: Implemented

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-2: PERSONNEL ACTIVITY REPORTS (50000)

Federal Agency:	US Department of Agriculture
Pass-Through Entity:	California Department of Education
Federal Program:	Child Nutrition Cluster
CFDA Number:	10.553, 10.555
Federal Agency:	US Department of Agriculture
Pass-Through Entity:	California Department of Education
Federal Program:	IDEA, Special Education, Basic Local Assistance
CFDA Number:	84.027
Federal Agency:	US Department of Agriculture
Pass-Through Entity:	California Department of Education
Federal Program:	NCLB: Title I, Part A, Basic Grant Low Income and Neglected
CFDA Number:	84.010

Criteria: Office of Management and Budget (OMB) Circular A-87 states that if employees are paid with federal funds, they must maintain Personnel Activity Report (PARS) that identifies the specific federal program on which they worked for a certain percentage of time. Employees working solely on a single federal program are generally required to maintain periodic certifications, in which the employee or supervisor attest every six months that the employee worked on a single federal program. Employees working on multiple federal programs (or federal and non-federal programs) are required to maintain monthly personnel activity reports.

Condition: To test the District's compliance with the program requirement for employee time keeping, we selected employees with time charged to major programs and determined the following for employees working in the District's Child Nutrition, Special Education and Title I Programs:

1. Cafeteria program manager did not prepare PARS for 2014-15.
2. Program manager obtained and approved PARS for employees for the entire year in December, 2014 by approving a semi-annual PARS through December and a semi-annual PARS through June, 2015. The PARS covering the time through June 2015 was completed and approved by the Manager in advance of time being performed. Additionally, cafeteria program manager approving the PARS in December was not the Program Manager during time covered by the PARS, thereby certifying time during which they were not the supervisor.
3. For multi-funded employees semi-annual PARS were completed, rather than monthly PARS.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-2: PERSONNEL ACTIVITY REPORTS (50000) (continued)

Questioned Cost: Based on our review of employee records, and our inquiry of the District employees and management, we were able to satisfy ourselves the personnel costs charged to federal programs for 2014-2015 are allowable.

Cause: The District does not have a policy in place where employees charged with federal funds are required to maintain a Personnel Activity Report or periodic certifications as required by federal guidelines.

Effect: By not obtaining adequate support for Personnel Activity Reports, it is difficult for the District to document the employee time charged is an allowable program expense.

Recommendation: We recommend each employee with any portion of their salary charged to a federal program complete personnel Activity Reports as required by the OMB Circular A-87. The report should be completed at least every six months for employees working in a single program and monthly for multi-funded employees and any time there is a change to the employees schedule or duties. PARS should not be completed or approved in advance of the work being performed and each PARS should be reconciled to the time charged to each program for each employee.

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

Current Status: Implemented

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-3: INSTRUCTIONAL TIME (40000)

Criteria: Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a). For the 2014-15 school year, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

Condition: The District incurred emergency closures on December 11th and 12th and did not apply for an Attendance Waiver. The District did not recalculate instructional time that excludes the two (2) emergency closure days.

Questioned Cost: There is not a cost questioned as a result of this finding since the recalculated instructional time exceeded the reduced minutes requirement.

Cause: District procedures do not include monitoring actual instructional time throughout the year to account for all changes from the original calendar of instructional time.

Effect: Changes made to the instructional days and daily instructional minutes during the year could result in the District incurring significant penalties for not meeting the required instructional time thresholds.

Recommendation: We recommend the District regularly review the instructional days and instructional time for all school sites and programs throughout the year. Recalculated instructional time should be compared to the required thresholds and corrections made when a shortfall is determined.

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

Current Status: Implemented

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-4: CHARTER SCHOOLS: ATTENDANCE REPORTING (10000)

Criteria: *Education Code* 41601 States: Each charter school shall report to the Superintendent of Public Instruction during each fiscal year the average daily attendance of the district for all full school attendance months during the period between July 1 and April 15, inclusive to be known as the "second period" [better known as P-2] report.

Condition: We reviewed the Charter School's supporting documentation for P-2 average daily attendance (ADA) reported to the Californian Department of Education and determined the Charter School reported apportionment attendance through March 13, 2015. The Charter School did not include the four-week period of March 16, 2015, to April 10, 2015. Increasing days of apportionment attendance 5,664 and days of instruction 15 for the omitted month resulted in an overstatement of one (1) ADA.

Questioned Cost: The average daily attendance (ADA) reported for P-2 was under reported by one (1) ADA, which consists of an overstatement of three (3) ADA for grades TK through third and understated of two (2) ADA for grades fourth through sixth. The Charter School's floor entitlement for 2014-2015 was \$7,011 and \$7,116 for grades TK through third and fourth through sixth, respectively per ADA. Questioned costs are estimated to be \$6,801.

Cause: The Charter School's procedures for processing monthly attendance required an earlier cut-off to ensure the report of P-2 attendance was completed and submitted by the due date.

Effect: The Charter School did not report the correct average daily attendance for the second period of attendance.

Recommendation: We recommend the Charter School review the current attendance reporting procedures and make changes to allow monthly attendance information for all school sites to be compiled and reported to the CDE that includes the correct reporting period and is filed in a timely manner. We also recommend the Charter School recalculate attendance for the proper P-2 cut-off period and submit a revised Report of Attendance.

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

Current Status: Not implemented, See Finding #2016-06.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINDING 2015-5: CHARTER SCHOOLS: ANNUAL INSTRUCTIONAL MINUTES-CLASSROOM BASED (40000)

Criteria: Charter Schools must maintain their instructional minutes at the levels required by Education Code Section 47612.5, reduced pursuant to the provisions of Education Code Section 46201.2(b) for the 2014-15 school year.

Condition: The District incurred emergency closures on December 11th and 12th and did not apply for Attendance Waiver. The District did not recalculate instructional time that excludes the two (2) emergency closure days.

Questioned Cost: There is not a cost questioned as a result of this finding since the recalculated instructional time exceeded the reduced minutes requirement.

Cause: District procedures do not include monitoring actual instructional time throughout the year to account for all changes from the original calendar of instructional time.

Effect: Changes made to the instructional days and daily instructional minutes during the year could result in the District incurring significant penalties for not meeting the required instructional time thresholds.

Recommendation: We recommend the District regularly review the instructional days and instructional time for all school sites and programs throughout the year. Recalculated instructional time should be compared to the required thresholds and corrections made when a shortfall is determined.

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

Current Status: Implemented