San Bernardino City Unified School District

Annual Financial Report

June 30, 2018

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
San Bernardino City Unified School District
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the San Bernardino City Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 81, schedule of changes in the District's net OPEB liability and related ratios on page 82, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 83, schedule of the District's proportionate share of the net pension liability on page 84, and the schedule of District contributions on page 86, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Bernardino City Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the San Bernardino City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Bernardino City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Bernardino City Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2018

This section of San Bernardino City Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term,* as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates like *businesses,* such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

BUSINESS SERVICES DIVISION
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District-Wide Financial Statements

The District-wide financial 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 District'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 District-wide financial statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and deferred inflows of resources, and liabilities and deferred outflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Business-Type Activities

The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like State grants for building projects).

The District has three kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements 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. Because this information does not encompass the additional long-term focus of the District-wide financial statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Proprietary Funds - Services for which the District charges a fee is generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements.

- The District's Enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- We use Internal Service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund - the Self-Insurance Fund.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was less than they were the year before - decreasing 9.44 percent or $41,079,580. Most of this decrease in the District's financial position came from its governmental activities, the net position of which decreased by $41,669,931 to $384,835,870. The net position of the District's business-type activities increased by $590,351 to $9,234,350.

Table A-1

	Governmental Activities		Business-Type Activities		School District Activities	
	2018	(as Restated) 2017	2018	(as Restated) 2017	2018	(as Restated) 2017
Assets						
Current and other assets	$ 383,186,099	$ 340,173,822	$ 18,730,253	$ 16,462,742	$ 401,916,352	$ 356,636,564
Capital assets	975,255,642	982,927,479	3,174,285	3,612,077	978,429,927	986,539,556
Total Assets	**1,358,441,741**	**1,323,101,301**	**21,904,538**	**20,074,819**	**1,380,346,279**	**1,343,176,120**
Deferred Outflows of Resources	**229,154,030**	**147,228,914**	**5,994,646**	**4,676,600**	**235,148,676**	**151,905,514**
Liabilities						
Current liabilities	90,739,854	81,591,123	1,001,532	655,583	91,741,386	82,246,706
Long-term obligations	460,949,937	409,880,122	1,928,254	1,778,652	462,878,191	411,658,774
Aggregate net pension liability	626,285,335	534,174,941	15,372,575	12,902,419	641,657,910	547,077,360
Total Liabilities	**1,177,975,126**	**1,025,646,186**	**18,302,361**	**15,336,654**	**1,196,277,487**	**1,040,982,840**
Deferred Inflows of Resources	**24,784,775**	**18,178,228**	**362,473**	**770,766**	**25,147,248**	**18,948,994**
Net Position						
Net investment in capital assets	743,825,823	763,941,674	3,174,285	3,612,077	747,000,108	767,553,751
Restricted	126,638,424	122,604,675	6,060,065	5,031,922	132,698,489	127,636,597
Unrestricted	(485,628,377)	(460,040,548)	-	-	(485,628,377)	(460,040,548)
Total Net Position	**$ 384,835,870**	**$ 426,505,801**	**$ 9,234,350**	**$ 8,643,999**	**$ 394,070,220**	**$ 435,149,800**

Changes in Net Position

The District's total revenues increased by $29,434,870 (see Table A-2). State and Federal aid for specific programs contributed about 22.5 cents of every dollar raised. Another 73.7 cents of every dollar raised came from property taxes and State and Federal formula aid, and the remainder from fees charged for services and miscellaneous sources.

Table A-2

	Governmental Activities		Business-Type Activities		School District Activities	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	$ 8,020,435	$ 12,212,728	$ 1,339,920	$ 1,398,048	$ 9,360,355	$ 13,610,776
Operating grants and contributions	137,381,266	121,000,239	31,392,621	30,267,889	168,773,887	151,268,128
Capital grants and contributions	345,739	(169,763)	-	-	345,739	(169,763)
General revenues:						
Federal and State unrestricted	489,155,205	481,572,513	-	-	489,155,205	481,572,513
Property taxes	63,293,069	59,389,428	-	-	63,293,069	59,389,428
Other general revenues	18,955,618	14,661,444	155,738	272,215	19,111,356	14,933,659
Total Revenues	**717,151,332**	**688,666,589**	**32,888,279**	**31,938,152**	**750,039,611**	**720,604,741**
Expenses						
Instruction-related	542,489,072	501,186,123	-	-	542,489,072	501,186,123
Pupil services	76,533,509	68,334,826	-	-	76,533,509	68,334,826
Administration	31,708,524	28,807,808	-	-	31,708,524	28,807,808
Plant services	80,244,996	67,319,415	-	-	80,244,996	67,319,415
Other	27,845,162	24,678,744	32,297,928	31,388,502	60,143,090	56,067,246
Total Expenses	**758,821,263**	**690,326,916**	**32,297,928**	**31,388,502**	**791,119,191**	**721,715,418**
Change in Net Position	**$ (41,669,931)**	**$ (1,660,327)**	**$ 590,351**	**$ 549,650**	**$ (41,079,580)**	**$ (1,110,677)**

The total cost of all programs and services increased by $69,403,773. The District's expenses are predominantly related to educating and caring for students (78.2 percent). The purely administrative activities of the District accounted for just 4.0 percent of total costs.

Total expenses were more than revenues, decreasing net position by $41,079,580 over last year. The governmental activities contributed to the District's decrease in net position.

Governmental Activities

Revenues for the District's governmental activities were $717,151,332, whereas total expenses were $758,821,263. The decrease in net position for governmental activities occurred due to an overall increase in expenses.

- Some of the District's activities ($8,020,435) were financed by the users of the District's programs. See Table A-2.
- The Federal and State governments subsidized certain programs with grants and contributions ($137,727,005). See Table A-2.

Business-Type Activities

Revenues of the District's business-type activities were $32,888,279, and expenses were $32,297,928. (Refer to Table A-2)

Net Cost of Services

Table A-3 presents the costs of major District governmental activities: instruction, instruction-related activities, other pupil services (guidance, counseling, and evaluation), general administration, plant services, and all other activities. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

- Most of the District's governmental activity net costs ($613,073,813) million were financed by District taxpayers and the taxpayers of our State.
- This portion of governmental activities was financed with $63,293,069 in property taxes, and $489,155,205 of unrestricted State and Federal aid based on the State-wide education aid formula. See Table A-2.

Table A-3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related	$ 542,489,072	$ 501,186,123	$ 424,217,222	$ 394,940,546
Pupil services	76,533,509	68,334,826	64,149,939	57,426,808
Administration	31,708,524	28,807,808	28,052,475	24,973,381
Plant services	80,244,996	67,319,415	79,205,354	66,448,381
Other	27,845,162	24,678,744	17,448,823	13,494,596
Total	**$ 758,821,263**	**$ 690,326,916**	**$ 613,073,813**	**$ 557,283,712**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported *combined* fund balances of $239,168,398, an increase of 12.9 percent from the previous year.

The business-type activities remained financially stable. In addition to the District-wide financial statements, Food Service activity is reported in greater detail in the enterprise fund statements.

The District's General Fund increased in fund balance by $1,371,213. The District continues to meet the State required two percent fund balance reserve for Economic Uncertainties.

Table A-4

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 104,743,185	$ 671,656,542	$ 670,285,329	$ 106,114,398
Building Fund	40,085,055	56,039,449	25,295,491	70,829,013
Adult Education Fund	918,296	8,822,576	8,903,274	837,598
Child Development Fund	18,934	12,678,748	12,280,467	417,215
Capital Facilities Fund	15,447,326	593,192	12,511,039	3,529,479
County School Facilities Fund	30,293,977	457,138	3,164,297	27,586,818
Special Reserve Fund for Capital Outlay Projects	3,338,467	8,158,153	1,603,802	9,892,818
Capital Projects Fund for Blended Component Units	64	-	64	-
Bond Interest and Redemption	16,959,744	19,025,294	16,023,979	19,961,059
Total	**$ 211,805,048**	**$ 777,431,092**	**$ 750,067,742**	**$ 239,168,398**

General Fund Budgetary Highlights

The District revises the annual operating budget on an ongoing basis throughout the year.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by $38,761,112 and the actual results for the year show revenues exceeding expenditures by $3,492,880.

- Actual revenues were $21,478,170 lower than expected, due primarily to lower federal and state sources.
- The actual expenditures were $63,732,162 under budget, due primarily to less spending on Books and supplies, Services and operating expenditures and Capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the District had invested $978,429,927 in a broad range of capital assets, including school facilities and equipment. Total depreciation expense for the year was $32,270,935. (More detailed information about capital assets can be found in Note 5 to the financial statements.)

Table A-5

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and construction in process	$ 49,048,939	$ 53,477,150	$ -	$ -	$ 49,048,939	$ 53,477,150
Buildings and improvements	911,715,919	915,372,233	2,485,532	2,928,922	914,201,451	918,301,155
Equipment	14,490,784	14,078,096	688,753	683,155	15,179,537	14,761,251
Total	**$ 975,255,642**	**$ 982,927,479**	**$ 3,174,285**	**$ 3,612,077**	**$ 978,429,927**	**$ 986,539,556**

Long-Term Obligations

At year-end, the District had $462,878,191 in long-term obligations increasing last year's balance by $51,219,416.

Table A-6

	Governmental Activities		Business-Type Activities		Total	
		(as Restated)		(as Restated)		(as Restated)
	2018	2017	2018	2017	2018	2017
General obligation bonds - net (financed with property taxes)	$ 301,211,104	$ 251,137,619	$ -	$ -	$ 301,211,104	$ 251,137,619
Certificates of participation	47,750,000	53,080,000	-	-	47,750,000	53,080,000
Discount on issuance	(306,231)	(346,175)	-	-	(306,231)	(346,175)
Capital lease obligations	153,339	262,805	-	-	153,339	262,805
Accumulated vacation	3,848,348	3,151,648	-	-	3,848,348	3,151,648
Claims liability	21,741,424	21,741,424	-	-	21,741,424	21,741,424
SELF assessment	1,506,650	1,807,966	-	-	1,506,650	1,807,966
Net other postemployment benefits (OPEB) liability	85,045,303	79,044,836	1,928,254	1,778,652	86,973,557	80,823,488
Total	**$ 460,949,937**	**$ 409,880,123**	**$ 1,928,254**	**$ 1,778,652**	**$ 462,878,191**	**$ 411,658,775**

More detailed information about the District's long-term obligations is presented in Note 9 to the financial statements.

Net Pension Liability - NPL

At year-end, the District had a net pension liability of $626,285,335 in governmental activities and $15,372,575 in business-type activities. The District has also recorded its proportionate share of the related deferred inflows and outflows. See Note 12 for additional information about the net pension liability.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

1. Since the Local Control Funding Formula is based on an improved or slow/no growth in the economy of the State of California, any volatility in revenues will impact the District's financial condition.
2. The District anticipates that its enrollment or Average Daily Attendance (four tenths (.4) of one percent decrease in 2017-2018) will decline during fiscal year 2018-2019.
3. Collective bargaining.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, 777 North F Street, San Bernardino, California 92410.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 356,275,085	$ 12,507,246	$ 368,782,331
Receivables	24,890,153	6,972,697	31,862,850
Internal balances	1,764,433	(1,764,433)	-
Prepaid expenses	207,966	-	207,966
Stores inventories	48,462	1,014,743	1,063,205
Capital assets			
Land and construction in process	49,048,939	-	49,048,939
Other capital assets	1,212,759,818	16,677,967	1,229,437,785
Less: Accumulated depreciation	(286,553,115)	(13,503,682)	(300,056,797)
Total Capital Assets	975,255,642	3,174,285	978,429,927
Total Assets	1,358,441,741	21,904,538	1,380,346,279
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	6,202,447	-	6,202,447
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	8,095,589	192,279	8,287,868
Deferred outflows of resources related to pensions	214,855,994	5,802,367	220,658,361
Total Deferred Outflows of Resources	229,154,030	5,994,646	235,148,676
LIABILITIES			
Accounts payable	76,838,415	960,824	77,799,239
Accrued interest payable	5,642,378	-	5,642,378
Unearned revenue	8,259,062	40,708	8,299,770
Long-term obligations:			
Current portion of long-term obligations other than pensions	18,453,941	-	18,453,941
Noncurrent portion of long-term obligations other than pensions	442,495,995	1,928,254	444,424,249
Total Long-Term Obligations	460,949,936	1,928,254	462,878,190
Aggregate net pension liability	626,285,335	15,372,575	641,657,910
Total Liabilities	1,177,975,126	18,302,361	1,196,277,487
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	24,784,775	362,473	25,147,248
NET POSITION			
Net investment in capital assets	743,825,823	3,174,285	747,000,108
Restricted for:			
Debt service	14,318,681	-	14,318,681
Capital projects	31,116,297	-	31,116,297
Educational programs	44,446,339	-	44,446,339
Other activities	36,757,107	6,060,065	42,817,172
Unrestricted	(485,628,377)	-	(485,628,377)
Total Net Position	$ 384,835,870	$ 9,234,350	$ 394,070,220

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities:				
Instruction	$ 443,389,775	$ 3,917,831	$ 90,379,737	$ 345,739
Instruction-related activities:				
Supervision of instruction	38,288,247	132,816	16,430,105	-
Instructional library, media, and technology	4,125,794	-	363,339	-
School site administration	56,685,256	2,219,916	4,482,367	-
Pupil services:				
Home-to-school transportation	21,164,053	-	-	-
Food services	454,426	-	-	-
All other pupil services	54,915,030	443,175	11,940,395	-
Administration:				
Data processing	8,552,270	-	-	-
All other administration	23,156,254	284,648	3,371,401	-
Plant services	80,244,996	690,610	349,032	-
Community services	11,960,491	71,877	9,235,176	-
Enterprise services	(1,582,530)	-	-	-
Interest on long-term obligations	16,820,367	-	-	-
Other outgo	646,834	259,562	829,714	-
Total Governmental Activities	758,821,263	8,020,435	137,381,266	345,739
Business-Type Activities				
Food services	32,297,928	1,339,920	31,392,621	-
Total School District	$ 791,119,191	$ 9,360,355	$ 168,773,887	$ 345,739

General revenues and subventions:

Property taxes, levied for general purposes
Property taxes, levied for debt service
Taxes levied for other specific purposes
Federal and State aid not restricted to specific purposes
Interest and investment earnings
Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated
Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	**Business-Type Activities**	**Total**
$ (348,746,468)	$ -	$ (348,746,468)
(21,725,326)	-	(21,725,326)
(3,762,455)	-	(3,762,455)
(49,982,973)	-	(49,982,973)
(21,164,053)	-	(21,164,053)
(454,426)	-	(454,426)
(42,531,460)	-	(42,531,460)
(8,552,270)	-	(8,552,270)
(19,500,205)	-	(19,500,205)
(79,205,354)	-	(79,205,354)
(2,653,438)	-	(2,653,438)
1,582,530	-	1,582,530
(16,820,367)	-	(16,820,367)
442,442	-	442,442
(613,073,823)	-	(613,073,823)
-	434,613	434,613
(613,073,823)	434,613	(612,639,210)
42,023,339	-	42,023,339
16,188,764	-	16,188,764
5,080,966	-	5,080,966
489,155,205	-	489,155,205
2,245,567	134,913	2,380,480
16,710,051	20,825	16,730,876
571,403,892	155,738	571,559,630
(41,669,931)	590,351	(41,079,580)
426,505,801	8,643,999	435,149,800
$ 384,835,870	$ 9,234,350	$ 394,070,220

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 162,137,656	$ 72,472,748	$ 64,313,632	$ 298,924,036
Receivables	22,431,191	294,031	1,969,135	24,694,357
Due from other funds	3,424,514	8,160	2,149,306	5,581,980
Prepaid expenditures	207,966	-	-	207,966
Stores inventories	48,462	-	-	48,462
Total Assets	$ 188,249,789	$ 72,774,939	$ 68,432,073	$ 329,456,801
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 70,429,104	$ 1,945,278	$ 4,156,022	$ 76,530,404
Due to other funds	3,784,015	648	1,714,274	5,498,937
Unearned revenue	7,922,272	-	336,790	8,259,062
Total Liabilities	82,135,391	1,945,926	6,207,086	90,288,403
Fund Balances:				
Nonspendable	467,428	-	-	467,428
Restricted	44,446,339	70,829,013	52,162,312	167,437,664
Assigned	46,324,513	-	10,062,675	56,387,188
Unassigned	14,876,118	-	-	14,876,118
Total Fund Balances	106,114,398	70,829,013	62,224,987	239,168,398
Total Liabilities and Fund Balances	$ 188,249,789	$ 72,774,939	$ 68,432,073	$ 329,456,801

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 239,168,398**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 1,261,808,757	
Accumulated depreciation is:	(286,553,115)	
Net Capital Assets		975,255,642
The District has refunded various debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debts and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2018.		6,202,447
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		35,672,151
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(5,642,378)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	51,600,692	
Net change in proportionate share of net pension liability	40,632,036	
Differences between projected and actual earnings on pension plan investments	5,343,171	
Differences between expected and actual experience in the meansurement of the total pension liability	7,027,429	
Changes of assumptions	110,252,666	
Total Deferred Outflows of Resources Related to Pensions		214,855,994

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (1,993,881)	
Differences between projected and actual earnings on pension plan investments	(12,698,907)	
Differences between expected and actual experience in the meansurement of the total pension liability	(8,327,792)	
Changes of assumptions	(1,764,195)	
Total Deferred Inflows of Resources Related to Pensions		$ (24,784,775)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid for OPEB as benefits come due subsequent to measurement date.		8,095,589
Net pension liability is not due and payable in the current period, and is not reported as a liability in the fund.		(626,285,335)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	251,368,577	
Unamortized premium on issuance	19,817,156	
Certificates of participation	47,750,000	
Unamortized discount on issuance	(306,231)	
Capital lease obligations	153,339	
Compensated absences (vacations)	3,848,348	
Net other postemployment benefits (OPEB) liability	85,045,303	
In addition, the District issues "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bonds to date is:	30,025,371	
Total Long-Term Obligations		(437,701,863)
Total Net Position - Governmental Activities		**$ 384,835,870**

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	$ 511,267,773	$ -	$ -	$ 511,267,773
Federal sources	57,321,301	2,613,101	1,531,148	61,465,550
Other State sources	93,273,229	-	17,318,902	110,592,131
Other local sources	9,794,239	791,343	18,094,683	28,680,265
Total Revenues	671,656,542	3,404,444	36,944,733	712,005,719
EXPENDITURES				
Current				
Instruction	396,078,054	-	5,113,570	401,191,624
Instruction-related activities:				
Supervision of instruction	36,672,756	-	524,824	37,197,580
Instructional library, media, and technology	3,981,203	-	-	3,981,203
School site administration	52,633,377	-	2,611,394	55,244,771
Pupil services:				
Home-to-school transportation	21,118,489	-	-	21,118,489
Food services	34,048	-	-	34,048
All other pupil services	52,037,709	-	368,048	52,405,757
Administration:				
Data processing	8,409,292	-	-	8,409,292
All other administration	20,375,595	-	733,017	21,108,612
Plant services	67,579,073	-	992,643	68,571,716
Community services	786,390	-	10,826,981	11,613,371
Other outgo	646,770	-	64	646,834
Facility acquisition and construction	7,685,595	15,343,365	9,117,320	32,146,280
Debt service				
Principal	109,466	5,330,000	7,655,000	13,094,466
Interest and other	15,845	4,622,126	8,368,979	13,006,950
Total Expenditures	668,163,662	25,295,491	46,311,840	739,770,993
Deficiency of Revenues Over Expenditures	3,492,880	(21,891,047)	(9,367,107)	(27,765,274)
Other Financing Sources (Uses)				
Transfers in	-	5	10,296,744	10,296,749
Other sources - proceeds from issuance of general obligation bonds	-	52,635,000	-	52,635,000
Other sources - premium on issuance of general obligation bonds	-	-	2,493,624	2,493,624
Transfers out	(2,121,667)	-	(8,175,082)	(10,296,749)
Net Financing Sources (Uses)	(2,121,667)	52,635,005	4,615,286	55,128,624
NET CHANGE IN FUND BALANCES	1,371,213	30,743,958	(4,751,821)	27,363,350
Fund Balances - Beginning	104,743,185	40,085,055	66,976,808	211,805,048
Fund Balances - Ending	$ 106,114,398	$ 70,829,013	$ 62,224,987	$ 239,168,398

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ 27,363,350**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (31,520,379)	
Capital outlays	24,769,433	
Net Expense Adjustment		(6,750,946)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(920,891)
In the Statement of Activities, certain operating expenses - compensated absences (vacation) is measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by $696,700.		(696,700)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(24,262,039)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		2,095,122
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. This year the District issued the following:		
General obligation bonds		(52,635,000)
Governmental funds report the effects of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:		
Premium on issuance		(2,493,624)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		$ 7,655,000
Certificate of participations		5,330,000
Capital lease obligations		109,466
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 1,619,523	
Amortization of debt discount	(39,944)	
Amortization of deferred charges on refunding	(625,375)	
Combined Adjustment		954,204
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased $548,237, and second, $4,219,384 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(4,767,621)
An Internal Service Fund is used by the District's management to charge the costs of the workers compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		7,349,748
Change in Net Position of Governmental Activities		**$ (41,669,931)**

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 12,507,246	$ 57,351,049
Receivables	6,972,698	195,796
Due from other funds	-	1,684,907
Stores inventories	1,014,743	-
Total Current Assets	20,494,687	59,231,752
Noncurrent Assets		
Capital assets	16,677,967	-
Less: accumulated depreciation	(13,503,682)	-
Total Noncurrent Assets	3,174,285	-
Total Assets	23,668,972	59,231,752
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	192,279	-
Deferred outflows of resources related to pensions	5,802,367	-
Total Deferred Outflows	$ 5,994,646	$ -
LIABILITIES		
Current Liabilities		
Accounts payable	$ 960,824	$ 308,011
Due to other funds	1,764,434	3,516
Unearned revenue	40,708	-
Current portion of claims liability	-	4,248,434
Current portion of SELF assessment	-	301,316
Total Current Liabilities	2,765,966	4,861,277
Noncurrent Liabilities		
Noncurrent portion of claims liability and SELF assessment	-	18,698,324
Total OPEB liability	1,928,254	
Aggregate net pension liability	15,372,575	-
Total Noncurrent Liabilities	17,300,829	18,698,324
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	362,473	-
NET POSITION		
Net investment in capital assets	3,174,285	-
Restricted	6,060,065	35,672,151
Total Net Position	$ 9,234,350	$ 35,672,151

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Fund	Governmental Activities -
	Food Service	Internal Service Fund
OPERATING REVENUES		
Charges for services	$ 1,339,920	$ -
Charges to other funds and miscellaneous revenues	20,825	15,327,437
Total Operating Revenues	1,360,745	15,327,437
OPERATING EXPENSES		
Payroll costs	15,598,740	679,942
Professional and contract services	(266,818)	-
Supplies and materials	14,970,494	32,160
Facility rental	57,894	(51)
Other operating cost	1,187,062	7,876,623
Depreciation	750,556	-
Total Operating Expenses	32,297,928	8,588,674
Operating Income (Loss)	(30,937,183)	6,738,763
NONOPERATING REVENUES		
Interest income	134,913	610,985
Federal grants	29,376,990	-
State grants	2,015,631	-
Total Nonoperating Revenues	31,527,534	610,985
Change in Net Position	590,351	7,349,748
Total Net Position - Beginning, as restated	8,643,999	28,322,403
Total Net Position - Ending	$ 9,234,350	$ 35,672,151

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 1,217,249	$ -
Cash receipts from interfund services provided	-	14,790,858
Other operating cash receipts	20,825	(198,683)
Cash payments to other suppliers of goods or services	(14,739,446)	-
Cash payments to employees for services	(14,705,321)	(679,942)
Cash payments for insurance claims	-	(8,177,939)
Other operating cash payments	(1,244,956)	-
Net Cash Provided (Used) by Operating Activities	(29,451,649)	5,734,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	31,392,621	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(312,764)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	134,913	610,985
Net Increase in Cash and Cash Equivalents	1,763,121	6,345,279
Cash and Cash Equivalents - Beginning	10,744,125	51,005,770
Cash and Cash Equivalents - Ending	$ 12,507,246	$ 57,351,049
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (30,937,183)	$ 6,738,763
Adjustments to reconcile operating income (loss) to net cash provided (used) for operating activities:		
Depreciation	750,556	-
Changes in assets and liabilities:		
Receivables	(118,651)	(59,819)
Due from other fund	-	(537,862)
Inventories	(271,223)	-
Deferred outflows	(1,318,046)	-
Accounts payables	349,969	(106,755)
Due to other fund	(114,516)	1,283
Unearned revenue	(4,020)	-
Deferred inflows	(408,293)	-
Net pension liability	2,470,156	-
Net other postemployment benefits (OPEB) liability	149,602	
Claims liability and assessment	-	(301,316)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (29,451,649)	$ 5,734,294

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received $2,033,234 of food commodities from the U.S. Department of Agriculture.

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 400,648	$ 1,439,788
Receivables	1,571	122,330
Stores inventories	-	4,407
Total Assets	402,219	$ 1,566,525
LIABILITIES		
Accounts payable	-	$ 9,747
Due to student groups	-	1,556,778
Total Liabilities	-	$ 1,566,525
NET POSITION		
Held in reserve for scholarships	402,219	
Total Net Position	$ 402,219	

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2018

	Scholarship Trust
ADDITIONS	
Interest	$ 4,958
Change in Net Position	4,958
Net Position - Beginning	397,261
Net Position - Ending	$ 402,219

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Bernardino City Unified School District (the District) was unified on July 1, 1964, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates forty-nine elementary schools, ten middle schools, a K-8 school, a middle college, six comprehensive high schools, one alternative education school, two continuation high schools, two community day schools, an adult education school, and two special education schools.

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, boards, and agencies that are not legally separate from the District. For San Bernardino City Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organization for which the District is financially accountable. Component units may 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. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The San Bernardino City Unified School District and San Bernardino Schools Financing Corporation (the Corporation), as represented by the 2011 Certifications of Participation, has a financial and operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District. The financial statements present the Corporation's financial activity within the Capital Project Fund for Blended Component Units. All debt instruments issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for PAL Academy (Charter Number 0335), Public Safety Academy (Charter Number 0731), ASA Charter (Charter Number 0677), Options for Youth - San Bernardino (Charter Number 1132), New Vision Middle (Charter Number 1089), Hardy Brown College Prep (Charter Number 1155), Excel Prep Charter (Charter Number 1153), SOAR Charter Academy (Charter Number 0982), Taft T. Newman Leadership Academy (Charter Number 1437), Ballington Academy for the Arts and Science – San Bernardino (1795), and Woodward Leadership Academy (Charter Number 1438) pursuant to *Education Code* Section 47605. The Charter Schools are operated independently and are not considered component units of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in revenues, expenditures, and fund balance of $2,019,207, $1,883,500, and $149,405, respectively.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

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

Capital Project Fund for Blended Component Units Fund The Capital Project Fund for Blended Component Units Fund are used to account for capital projects financed by the San Bernardino Schools Financing Corporation and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

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

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise major fund of the District accounts for the financial transactions related to the food service operations of the District.

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an internal service fund. In addition, net other Postemployment Benefits (OPEB) liability is accounted for within this fund.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's Private Purpose Trust Funds are the Bradley Rogers and Jeffords Trust Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government - Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

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

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

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

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

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2018, 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 the County investment pool are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories are stated at the lower of cost or market, utilizing the weighted average method. The costs of inventory items are recorded as expenditures in the governmental-type funds and expenses in the proprietary-type and fiduciary-type funds when used.

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $126,638,424 of restricted net position, which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales in the cafeteria, and charges to other funds for self-insurance activity. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

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.

Property Tax

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$ 356,275,085
Business-type activities	12,507,246
Fiduciary funds	1,840,436
Total Deposits and Investments	$ 370,622,767

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$ 3,585,616
Cash in revolving	820,630
Investments	366,216,521
Total Deposits and Investments	$ 370,622,767

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days
San Bernardino County Treasury Investment Pool	$ 353,761,348	353
Wells Fargo Advantage Cash Investment Money Market Funds	3,121,819	17
Wells Fargo Advantage Repurchase Agreement		
Overland Express Sweep Account	9,333,354	1
Total	$ 366,216,521	

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 with the San Bernardino County Investment Pool is rated AAA/V1 by Fitch Ratings and the Wells Fargo Advantage Money Market Mutual Funds are rated Aaa by Moody's Investor Service. The Wells Fargo Advantage Repurchase Agreement Overland Express Sweep Account is not rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. 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, 2018, the District's bank balance of $709,617 held by Bank of America was exposed to custodial credit risk because it was uninsured and collateralized by securities held by pledging financial institution's trust department or agent but not in the name of the District. The remaining bank balance of $1,049,126 held by other financial institutions was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, 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 in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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 San Bernardino County Treasury Investment Pool is 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 are as follows at June 30, 2018:

Investment Type	Reported Amount	Uncategorized
San Bernardino County Treasury Investment Pool	$ 353,761,348	$ 353,761,348

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund
Federal Government				
Categorical aid	$ 14,279,841	$ -	$ 258,309	$ -
State Government				
Categorical aid	2,984,054	-	1,357,109	-
Lottery	2,161,740	-	-	-
Special Education	893,172	-	-	-
Local Government				
Interest	544,987	293,505	186,698	195,111
Other Local Sources				
Other	1,567,397	526	167,019	685
Total	$ 22,431,191	$ 294,031	$ 1,969,135	$ 195,796

	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Federal Government			
Categorical aid	$ 14,538,150	$ 6,446,863	$ -
State Government			
Categorical aid	4,341,163	469,656	-
Lottery	2,161,740	-	-
Special Education	893,172	-	-
Local Government			
Interest	1,220,301	-	1,571
Other Local Sources			
Other	1,735,627	56,179	122,330
Total	$ 24,890,153	$ 6,972,698	$ 123,901

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 32,151,833	$ -	$ -	$ 32,151,833
Construction in process	21,325,317	22,616,150	27,044,361	16,897,106
Total Capital Assets Not Being Depreciated	53,477,150	22,616,150	27,044,361	49,048,939
Capital Assets Being Depreciated				
Land improvements	53,327,518	2,520,375	-	55,847,893
Buildings and improvements	1,090,197,958	23,560,351	1,253,500	1,112,504,809
Furniture and equipment	42,668,786	3,116,918	1,378,588	44,407,116
Total Capital Assets Being Depreciated	1,186,194,262	29,197,644	2,632,088	1,212,759,818
Less Accumulated Depreciation				
Land improvements	37,184,980	1,456,448	-	38,641,428
Buildings and improvements	190,968,263	27,555,522	528,430	217,995,355
Furniture and equipment	28,590,690	2,508,409	1,182,767	29,916,332
Total Accumulated Depreciation	256,743,933	31,520,379	1,711,197	286,553,115
Governmental Activities Capital Assets, Net	$ 982,927,479	$ 20,293,415	$ 27,965,252	$ 975,255,642
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	$ 8,841,937	$ -	$ -	$ 8,841,937
Furniture and equipment	7,627,900	312,764	104,634	7,836,030
Total Capital Assets Being Depreciated	16,469,837	312,764	104,634	16,677,967
Less Accumulated Depreciation				
Buildings and improvements	5,913,015	443,390	-	6,356,405
Furniture and equipment	6,944,745	307,166	104,634	7,147,277
Total Accumulated Depreciation	12,857,760	750,556	104,634	13,503,682
Business-Type Activities Capital Assets, Net	$ 3,612,077	$ (437,792)	$ -	$ 3,174,285

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities	
Instruction	$ 28,368,341
All other pupil services	630,408
All other general administration	315,204
Plant services	2,206,426
Total Depreciation Expenses Governmental Activities	31,520,379
Business-Type Activities	
Food services	750,556
Total Depreciation Expenses All Activities	$ 32,270,935

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds, enterprise funds, and internal service funds, are as follows:

	Due From					
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Food Service Enterprise Fund	Total
General Fund	$ -	$ 458	$ 1,656,106	$ 3,516	$ 1,764,434	$ 3,424,514
Building Fund	-	-	8,160	-	-	8,160
Non-Major Governmental Funds	2,149,306	-	-	-	-	2,149,306
Internal Service Fund	1,634,709	190	50,008	-	-	1,684,907
Total	$ 3,784,015	$ 648	$ 1,714,274	$ 3,516	$ 1,764,434	$ 7,266,887

The balance of $1,764,434 due to the General Fund from the Food Service Major Enterprise Fund resulted from payroll, indirect costs, benefits, and other operating costs.

A balance of $831,663 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from payroll, indirect costs, benefits and other operating costs.

A balance of $824,443 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from indirect costs, benefits, and other operating costs.

A balance of $27,639 due to the Adult Education Non-Major Governmental Fund from the General Fund resulted from operating contributions.

A balance of $2,121,667 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from operating contributions.

The balance of $1,634,709 due to the Internal Service Fund from the General Fund was for worker's compensation and other postemployment benefit charges.

All remaining balances resulted for the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Building Fund	$ -	$ 5	$ 5
Non-Major Governmental Funds	2,121,667	8,175,077	10,296,744
Total	$ 2,121,667	$ 8,175,082	$ 10,296,749

The General Fund transferred to the Child Development Non-Major Governmental Fund for an operating contribution.	$ 2,121,667
The County Schools Facilities Non-Major Fund transferred qualified capital outlay expenditures to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund.	3,164,297
The Capital Facilities Non-Major Governmental Fund transferred qualified capital outlay expenditures to the following funds:	
Building Fund	5
Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund	4,900,000
The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred qualified capital outlay expenditures to the following fund:	
County School Facilities Non-Major Governmental Fund	110,780
Total	$ 10,296,749

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund
Accrued salaries and benefits	$ 39,959,123	$ -	$ 1,124,755	$ 2,001
LCFF apportionment	3,302,470	-	-	-
Books and supplies	7,765,879	-	279,187	3,003
Services and other operating	16,435,912	219,378	212,867	302,434
Construction	2,464,608	1,725,900	2,536,037	-
Other vendor payables	501,112	-	3,176	573
Total	$ 70,429,104	$ 1,945,278	$ 4,156,022	$ 308,011

	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Accrued salaries and benefits	$ 41,085,879	$ -	$ -
LCFF apportionment	3,302,470	-	-
Books and supplies	8,048,069	455,924	-
Services and other operating	17,170,591	91,056	-
Construction	6,726,545	-	-
Other vendor payables	504,861	413,844	9,747
Total	$ 76,838,415	$ 960,824	$ 9,747

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund
Federal financial assistance	$ 985,740	$ -	$ 985,740	$ -
State categorical aid	6,553,079	8,927	6,562,006	-
Other local	383,453	327,863	711,316	40,708
Total	$ 7,922,272	$ 336,790	$ 8,259,062	$ 40,708

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

Governmental Activities	(as Restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 232,194,564	$ 56,854,384	$ 7,655,000	$ 281,393,948	$ 8,330,000
Premium on issuance	18,943,055	2,493,624	1,619,523	19,817,156	-
2011 Certificates of Participation	53,080,000	-	5,330,000	47,750,000	5,460,000
Discount on issuance	(346,175)	-	(39,944)	(306,231)	-
Capital lease obligations	262,805	-	109,466	153,339	114,191
Accumulated vacation - net	3,151,648	696,700	-	3,848,348	-
Claims liability	21,741,424	4,248,434	4,248,434	21,741,424	4,248,434
SELF assessment	1,807,966	-	301,316	1,506,650	301,316
Net other postemployment benefits (OPEB) liability	79,044,836	9,438,165	3,437,698	85,045,303	-
Total Governmental Activities	$ 409,880,123	$ 73,731,307	$ 22,661,493	$ 460,949,937	$ 18,453,941
Business-Type Activities					
Net other postemployment benefits (OPEB) liability	$ 1,778,652	$ 205,408	$ 55,806	$ 1,928,254	$ -
District Total	$ 411,658,775	$ 73,936,715	$ 22,717,299	$ 462,878,191	$ 18,453,941

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Certificates of Participation are paid from the Capital Projects Fund for Blended Component Units. The capital lease obligations will be paid the General Fund. The accumulated vacation will be paid by the fund for which the employee worked. Claims liability and SELF assessment are paid by the Internal Service Fund. Net other postemployment benefits (OPEB) liability is paid by the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2018
5/1/03	8/1/27	1.10 - 5.46%	15,000,000	$ 16,107,543	$ -	$ 877,980	$ -	$ 16,985,523
9/16/04	8/1/29	1.25 - 5.46%	44,999,498	1,324,552	-	119,881	-	1,444,433
5/18/06	8/1/30	4.50 - 5.15%	67,999,967	4,090,192	-	344,401	-	4,434,593
3/14/07	8/1/30	3.77 - 4.74%	9,997,217	12,454,338	-	514,678	20,000	12,949,016
3/3/11	8/1/42	7.41 - 7.50%	11,525,419	19,203,364	-	1,462,092	-	20,665,456
3/3/11	8/1/35	7.41 - 7.50%	5,477,434	9,924,575	-	900,352	-	10,824,927
5/22/13	8/1/28	2.00 - 5.00%	86,000,000	78,620,000	-	-	4,590,000	74,030,000
6/12/13	8/1/37	2.00 - 4.00%	30,150,000	29,800,000	-	-	-	29,800,000
6/12/13	8/1/27	0.99 - 4.66%	12,515,000	8,395,000	-	-	325,000	8,070,000
8/7/14	8/1/28	2.00-5.00%	24,705,000	21,130,000	-	-	1,970,000	19,160,000
7/15/15	8/1/40	2.00-5.00%	32,495,000	31,145,000	-	-	750,000	30,395,000
10/31/17	8/1/42	3.00-5.00%	31,550,000	-	31,550,000	-	-	31,550,000
10/31/17	8/1/42	4.00-5.00%	21,085,000	-	21,085,000	-	-	21,085,000
				$ 232,194,564	$ 52,635,000	$ 4,219,384	$ 7,655,000	$ 281,393,948

1999 General Obligation Bonds, Series C

On May 1, 2003, the District issued the $15,000,000 1999 General Obligations Bonds, Series C. The Series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $16,775,000, and an aggregate principal debt service balance of $31,775,000. The bonds have a final maturity which occurs on August 1, 2027, and yield interest rates of 1.10 to 5.46 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities.

On September 16, 2004, the San Bernardino City Unified School District issued the 2004 General Obligation Refunding Bonds in the amount of $37,055,000. Bond proceeds from this issuance were used to refund $7,160,000 of the outstanding San Bernardino City Unified School District 1999 General Obligation Bonds, Series C. At June 30, 2018, 1999 General Obligation Bonds, Series C totaling $16,985,523 (including accretion) were still outstanding. Unamortized premium received on issuance amounted to $185,073.

2004 General Obligation Bonds, Series A

On September 16, 2004, the San Bernardino City Unified School District issued the 2004 General Obligation Bonds, Series A, in the amount of $44,999,498. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $3,910,000, and an aggregate principal debt service balance of $48,415,000. The bonds were issued at an aggregate price of $45,972,569, (representing the principal amount of $44,999,498 plus an original issue premium of $1,946,303 less cost of issuance of $973,232). The bonds have a final maturity which occurs on August 1, 2029, and yield interest rates of 1.25 to 5.46 percent. The bonds were issued to fund the construction, renovation, and repair of certain District facilities and the prepayment of $57,000,000 of the District's outstanding Certificates of Participation (School Facility Bridge Funding Program).

During the 2014-2015 fiscal year, proceeds from the District's 2014 General Obligation Refunding Bonds were used to provide advance refunding of all outstanding current interest bonds, leaving only the capital appreciation bonds outstanding. At June 30, 2018, 2004 General Obligation Bonds, Series A, totaling $1,444,433 (including accretion) were still outstanding.

2004 General Obligation Bonds, Series B

On May 18, 2006, the District issued $67,999,967 of 2004 General Obligation Bonds, Series B. The Series B represents the second series of the authorized bonds not to exceed $140,000,000 to be issued under the measure as approved by voters. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $14,480,033, and an aggregate principal debt service balance of $82,480,000. The bonds were issued at an aggregate price of $71,995,896, (representing the principal amount of $67,999,967 plus an original issue premium of $5,604,225 less cost of issuance of $1,608,296). In 2013, $59,995,000 was refunded using proceeds from the 2013 Refunding General Obligation Bonds.

The bonds have a final maturity which occurs on August 1, 2030, with interest yields of 4.50 to 5.15 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2018, the principal balance outstanding (including accretion) was $4,434,593. Unamortized premium received on issuance amounted to $2,914,197.

2004 General Obligation Bonds, Series C

On March 14, 2007, the District issued $9,997,217 of 2004 General Obligation Bonds, Series C. The Series C represents the third series of the authorized bonds not to exceed $140,000,000 to be issued under the measure as approved by voters. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $13,802,783, and an aggregate principal debt service balance of $23,800,000. The bonds were issued at an aggregate price of $9,997,217, (representing the principal amount of $9,997,217 plus an original issue premium of $306,344 less cost of issuance of $306,344).

The bonds have a final maturity which occurs on August 1, 2030, and yield interest rates of 3.77 to 4.74 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2018, the principal balance outstanding (including accretion) was $12,949,016. Unamortized premium received on issuance amounted to $171,551.

2004 General Obligation Bonds, Series D

On March 3, 2011, the San Bernardino City Unified School District issues the 2004 General Obligation Bonds, Series D, in the amount of $11,525,419. The Series D represents the fourth series of authorized bonds not to exceed $140,000,000 to be issued under the measure as approved by voters. The Series D bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to $79,784,581, and an aggregate principal debt service balance of $91,310,000. The bonds were issued at an aggregate price of $11,550,483 (representing the principal amount of $11,525,419 plus an original issue premium of $505,866 less cost of issuance of $480,802).

The bonds have a final maturity which occurs on August 1, 2042, and yield interest rates of 7.41 to 7.50 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2018, the principal balance outstanding (including accretion) was $20,665,456. Unamortized premium received on issuance amounted to $389,940.

2004 General Obligation Bonds, Series E

On March 3, 2011, the San Bernardino City Unified School District issues the 2004 General Obligation Bonds, Series E, in the amount of $5,477,434. The Series E represents the fifth series of authorized bonds not to exceed $140,000,000 to be issued under the measure as approved by voters. The Series E bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting $35,157,566, and an aggregate principal debt service balance of $40,635,000. The bonds were issued at an aggregate price of $4,603,168 (representing the principal amount of $5,477,434 plus an original issue premium of $229,502 less cost of issuance of $1,103,768).

The bonds have a final maturity which occurs on August 1, 2035, and yield interest rates of 7.41 to 7.50 percent. Proceeds from the sale of the bonds will be used to fund capitalized interest and to pay the premiums of bond insurance and a reserve surety bond for the 2011 Certificates of Participation Series A. At June 30, 2018, the principal balance outstanding (including accretion) was $10,824,927. Unamortized premium on issuance amounted to $162,182.

2013 Refunding General Obligation Bonds

On May 22, 2013, the San Bernardino City Unified School District issued 2013 Refunding General Obligation Bonds in the amount of $86,000,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $99,134,891 (representing the principal amount of $86,000,000 and premium of $13,864,035, less cost of issuance of $729,144). The bonds have a final maturity which occurs on August 1, 2028, with interest rate ranging from 2.0 to 5.0 percent. Proceeds from the sale of bonds were used to provide current refunding of $13,730,000, $16,175,000, and $59,995,000 for the 2004 Refunding General Obligation Bonds, 2004 General Obligation Bonds, Series A, and 2004 General Obligation Bonds, Series B, respectively. The refunding resulted in a cumulative cash flow savings of $7,894,614 over the life of the new debt and an economic gain of $6,343,785 based on the difference between the present value of the existing debt service requirements and new debt service requirements discounted at 1.50 percent. As of June 30, 2018, the principal balance outstanding was $74,030,000. Unamortized premium received on issuance and deferred charge on refunding were $9,165,668 and $6,105,291, respectively.

2012 General Obligation Bonds, Series A

On June 12, 2013, the San Bernardino City Unified School District issued the 2012 General Obligation Bonds, Series A in the amount of $30,150,000. The Series A represents the first series of authorized bonds not to exceed $250,000,000 to be issued under the measure as approved by voters. The bonds were issued at an aggregate price of $30,769,060, representing the principal amount of $30,150,000 plus an original issue premium of $897,269 less cost of issuance of $278,209. The bonds have a final maturity which occurs on August 1, 2037, and yield interest rates of 2.00 to 4.00 percent. The bonds will be used to fund the construction, renovation, and repair of certain District facilities. At June 30, 2018, 2012 General Obligation Bonds, Series A, totaling $29,800,000 were still outstanding. Unamortized premium received on issuance amounted to $707,223.

2012 General Obligation Bonds, Series B

On June 12, 2013, the San Bernardino City Unified School District issued the 2012 General Obligation Bonds, Series B in the amount of $12,515,000. The Series B represents the second series of authorized bonds not to exceed $250,000,000 to be issued under the measure as approved by voters. The bonds were issued at an aggregate price of $12,406,730, representing the principal amount of $12,515,000 less cost of issuance of $108,270. The bonds have a final maturity which occurs on August 1, 2027, and yield interest rates of 0.99 to 4.66 percent. The bonds were issued to fund the construction, renovation, and repair of certain District facilities. At June 30, 2018, 2012 General Obligation Bonds, Series B, totaling $8,070,000 were still outstanding.

2014 Refunding General Obligation Bonds

On August 7, 2014, the San Bernardino City Unified School District issued 2014 Refunding General Obligation Bonds in the amount of $24,705,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $27,311,511 (representing the principal amount of $24,705,000 and premium of $2,791,906, less cost of issuance of $185,395). The bonds have a final maturity which occurs on August 1, 2028 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2004 General Obligation Bonds, Series A and 2004 General Obligation Refunding Bonds in the amount of $14,685,000 and $12,470,000, respectively. The refunding resulted in a cumulative cash flow saving of $4,307,072 over the life of the new debt and an economic gain of $3,608,895 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.48 percent. As of June 30, 2018, the principal balance outstanding was $19,160,000, and unamortized premium received on issuance deferred charge on refunding were $1,994,218 and $97,156, respectively.

2012 General Obligation Bonds, Series C

On July 15, 2015, the San Bernardino City Unified School District issued the 2012 General Obligation Bonds, Series C in the amount of $32,495,000. The Series C represents the third series of authorized bonds not to exceed $250,000,000 to be issued under the measure as approved by voters. The bonds were issued at an aggregate price of $34,464,574, representing the principal amount of $32,495,000 plus a premium of $1,969,574. The bonds have a final maturity which occurs on August 1, 2040, and yield interest rates of 2.00 to 5.00 percent. The bonds were issued to fund the construction, renovation, and repair of certain District facilities. At June 30, 2018, 2012 General Obligation Bonds, Series C, totaling $30,395,000 were still outstanding. Unamortized premium received on issuance was $1,733,225.

2012 General Obligation Bonds, Series D

On October 31, 2017, the District issued $31,550,000 General Obligation Bonds. The bonds were issued as current interest bonds. The bonds issued at an aggregate price of $32,861,241 (representing the principal amount of $31,550,000 and premium of 1,701,920, less cost of issuance of $390,679). The bonds have a final maturity to occur on August 1, 2042, with interest rates from 3.00 to 5.00 percent. Proceeds from sale of bonds will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the cost of issuing the Bonds. At June 30, 2018, 2012 General Obligation Bonds, Series D, totaling $31,550,000 were still outstanding. Unamortized premium received on issuance was $1,633,843.

2012 General Obligation Bonds, Series E

On October 31, 2017, the District issued $21,085,000 General Obligation Bonds. The bonds were issued as current interest bonds. The bonds issued at an aggregate price of $21,623,286 (representing the principal amount of $21,085,000 and premium of 791,704, less cost of issuance of $253,418). The bonds have a final maturity to occur on August 1, 2042, with interest rates from 4.00 to 5.00 percent. Proceeds from sale of bonds will be used to pay certain lease payments with respect to the District's outstanding Taxable Certificates of Participation, 2011 Series A (Direct Subsidy Qualified School Construction Bonds) and to pay the cost of issuing the Bonds. At June 30, 2018, 2012 General Obligation Bonds, Series E, totaling $21,085,000 were still outstanding. Unamortized premium received on issuance was $760,036.

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2019	$ 8,330,000	$ -	$ 9,549,684	$ 17,879,684
2020	10,713,026	1,974	9,136,595	19,851,595
2021	10,800,816	199,184	8,706,979	19,706,979
2022	11,965,150	294,850	8,261,512	20,521,512
2023	11,847,871	402,129	7,774,890	20,024,890
2024-2028	69,633,577	6,766,423	30,887,342	107,287,342
2029-2033	52,263,689	26,806,311	19,297,253	98,367,253
2034-2038	50,339,102	45,880,898	13,146,994	109,366,994
2039-2043	55,500,717	46,469,283	4,386,997	106,356,997
Total	$ 281,393,948	$ 126,821,052	$ 111,148,246	$ 519,363,246

2011 Certificates of Participation, Series A

On March 3, 2011, the San Bernardino City Unified School District issued the 2011 Certificates of Participation Series A in the amount of $53,080,000. The certificates were issued at an aggregate price of $52,092,198 (representing the principal amount of $53,080,000 less an original issue discount of $599,154 and cost of issuance of $388,648). The certificates have a final maturity date of February 1, 2026, with interest rates ranging from 7.903 to 8.403 percent. Proceeds from the sale of certificates will be used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2018, the principal balance outstanding was $47,750,000. Unamortized discount on issuance amounted to $306,231.

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2019	$ 5,460,000	$ 3,809,803	$ 9,269,803
2020	5,590,000	3,389,219	8,979,219
2021	5,725,000	2,958,621	8,683,621
2022	5,865,000	2,517,624	8,382,624
2023	6,015,000	2,054,113	8,069,113
2024-2026	19,095,000	3,175,759	22,270,759
Total	$ 47,750,000	$ 17,905,139	$ 65,655,139

Capital Leases

The District has entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2017	$ 276,467
Payments	(118,486)
Balance, June 30, 2018	$ 157,981

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	$ 118,486
2020	39,495
	157,981
Less: Amount Representing Interest	(4,642)
Present Value of Minimum Lease Payments	$ 153,339

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $3,848,348.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2018, amounted to $21,741,424, using a discount factor of 1.5 percent. See Note 11 for additional details.

SELF Assessment

The District is a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District workers' compensation insurance. The SELF board of directors declared an equity assessment to the member districts. At June 30, 2018 the District's outstanding obligation on their pro-rata share of equity assessed was $1,506,650.

Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 83,046,533	$ 8,287,868	$ 6,441,919
Medicare Premium Payment (MPP) Program	3,927,024	-	(291,850)
Total	$ 86,973,557	$ 8,287,868	$ 6,150,069

The details of each plan are as follows:

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the San Bernardino City Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at: https://calpers.ca.gov/pages/formspublications.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	299
Active employees	4,347
	4,646

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the San Bernardino Teachers Association (SBTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, SBTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $8,287,868 to the Plan, which was used for current premiums and to fund the OPEB trust.

Net OPEB Liability of the District

The District's net OPEB liability of $83,046,533 was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 83,114,433
Plan fiduciary net position	(67,900)
District's net OPEB liability	$ 83,046,533
Plan fiduciary net position as a percentage of the total OPEB liability	0.08%

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Investment rate of return	3.50	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00	percent for 2017

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2016	$ 76,666,053	$ 61,439	$ 76,604,614
Service cost	6,898,715	-	6,898,715
Interest	2,744,804	-	2,744,804
Contributions-employer	-	3,195,139	(3,195,139)
Net investment income	-	6,515	(6,515)
Benefit payments	(3,195,139)	(3,195,139)	-
Administrative expense	-	(54)	54
Net change in total OPEB liability	6,448,380	6,461	6,441,919
Balance at June 30, 2017	$ 83,114,433	$ 67,900	$ 83,046,533

No changes of benefit terms noted.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.6 percent in 2016 to 3.5 percent in 2017.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 88,621,216
Current discount rate (3.50%)	83,046,533
1% increase (4.50%)	77,712,035

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 79,307,158
Current healthcare cost trend rate (4.00%)	83,046,533
1% increase (5.00%)	85,616,532

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $6,441,919. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $8,287,868, which will be reported as a reduction to the net OPEB liability in the subsequent fiscal year.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $3,927,024 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.9334 percent, and 0.9014 percent, resulting in a net increase in the proportionate share of 0.0320 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(291,850).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 4,347,489
Current discount rate (3.58%)	3,927,024
1% increase (4.58%)	3,518,032

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 3,548,667
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	3,927,024
1% increase (4.7% Part A and 5.1% Part B)	4,301,602

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 211,000	$ -	$ -	$ 211,000
Stores inventories	48,462	-	-	48,462
Prepaid expenditures	207,966	-	-	207,966
Total Nonspendable	467,428	-	-	467,428
Restricted				
Legally restricted programs	44,446,339	-	1,084,956	45,531,295
Capital projects	-	70,829,013	31,116,297	101,945,310
Debt services	-	-	19,961,059	19,961,059
Total Restricted	44,446,339	70,829,013	52,162,312	167,437,664
Assigned				
Deferred maintenance	149,405	-	-	149,405
Textbooks	14,000,000	-	-	14,000,000
Deficit spending	20,990,075	-	-	20,990,075
Targeted schools support plan	7,600,000	-	-	7,600,000
One-time expenditures	3,585,033			3,585,033
Adult education	-	-	169,857	169,857
Future capital projects	-	-	9,892,818	9,892,818
Total Assigned	46,324,513	-	10,062,675	56,387,188
Unassigned				
Reserve for economic uncertainties	13,400,000	-	-	13,400,000
Remaining unassigned	1,476,118	-	-	1,476,118
Total Unassigned	14,876,118	-	-	14,876,118
Total	$ 106,114,398	$ 70,829,013	$ 62,224,987	$ 239,168,398

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in the Southern California Schools Risk Management (SCSRM) public risk entity pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District was self-funded for workers' compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District has contracted with Kaiser and Health Net to provide employee medical and surgical benefits, and Delta Care and Met Life for dental benefits. Additional dental benefits and basic life insurance benefits are provided through the Southern California Schools Employee Benefits Association (SCSEBA) public risk entity pool.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

	Workers' Compensation
Liability Balance, July 1, 2016	$ 17,062,244
Claims and changes in estimates	8,171,291
Claims payments	(3,492,111)
Liability Balance, June 30, 2017	21,741,424
Claims and changes in estimates	4,248,434
Claims payments	(4,248,434)
Liability Balance, June 30, 2018	$ 21,741,424
Assets available to pay claims at June 30, 2018	$ 59,231,752

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 476,814,851	$ 155,432,185	$ 21,015,325	$ 54,204,428
CalPERS	161,091,171	62,793,494	3,868,877	23,364,184
CalPERS - Safety Risk Pool	3,751,888	2,432,682	263,046	(126,003)
Total	$ 641,657,910	$ 220,658,361	$ 25,147,248	$ 77,442,609

The details of each plan ae as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.430%	14.430%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $37,799,152.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 476,814,851
State's proportionate share of the net pension liability associated with the District	282,079,638
Total	$ 758,894,489

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.5156 percent and 0.5069 percent, resulting in a net increase in the proportionate share of 0.0087 percent.

For the year ended June 30, 2018, the District recognized pension expense of $54,204,428. In addition, the District recognized pension expense and revenue of $28,394,024 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 37,799,152	$ -
Net change in proportionate share of net pension liability	27,534,206	-
Differences between projected and actual earnings on pension plan investments	-	12,698,907
Differences between expected and actual experience in the measurement of the total pension liability	1,763,308	8,316,418
Changes of assumptions	88,335,519	
Total	$ 155,432,185	$ 21,015,325

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (10,557,072)
2020	7,988,591
2021	1,151,907
2022	(11,282,333)
Total	$ (12,698,907)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 19,563,946
2020	19,563,946
2021	19,563,946
2022	19,563,946
2023	15,091,554
Thereafter	15,969,277
Total	$ 109,316,615

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 700,115,577
Current discount rate (7.10%)	476,814,851
1% increase (8.10%)	295,591,179

<u>California Public Employees Retirement System (CalPERS)</u>

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	15.531%	15.531%

The CalPERS Safety Risk Pool provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety Risk Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	9.000%	15.250%
Required employer contribution rate	26.481%	14.856%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were $14,445,322 and $703,070, respectively.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liabilities totaling $161,091,171 and $3,751,888, respectively. The net pension liability was measured as of June 30, 2017. 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. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.6748 percent and 0.6771 percent, resulting in a net decrease in the proportionate share of 0.0023 percent for CalPERS. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0628 percent and 0.0657 percent, resulting in a net decrease in the proportionate share of 0.0029 percent for CalPERS Safety Risk Pool.

For the year ended June 30, 2018, the District recognized pension expense of $23,364,184 for CalPERS and $(126,003) for CalPERS Safety Risk Pool. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 14,445,322	$ -
Net change in proportionate share of net pension liability	13,474,388	1,972,228
Differences between projected and actual earnings on pension plan investments	5,572,652	-
Differences between expected and actual experience in the measurement of the total pension liability	5,771,233	-
Changes of assumptions	23,529,899	1,896,649
Total	$ 62,793,494	$ 3,868,877

	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 703,070	$ -
Net change in proportionate share of net pension liability	915,390	203,133
Differences between projected and actual earnings on pension plan investments	137,944	-
Differences between expected and actual experience in the measurement of the total pension liability	43,624	11,374
Changes of assumptions	632,654	48,539
Total	$ 2,432,682	$ 263,046

The 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (151,000)
2020	6,429,633
2021	2,345,603
2022	(3,051,584)
Total	$ 5,572,652

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2019	$ (4,965)
2020	164,657
2021	58,966
2022	(80,714)
Total	$ 137,944

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 13,323,198
2020	15,054,936
2021	10,528,509
Total	$ 38,906,643

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2019	748,284
2020	149,794
2021	430,544
Total	$ 1,328,622

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	CalPERS Net Pension Liability
1% decrease (6.15%)	$ 237,016,735
Current discount rate (7.15%)	161,091,171
1% increase (8.15%)	98,104,559

Discount Rate	CalPERS Safety Risk Pool Net Pension Liability
1% decrease (6.15%)	$ 5,609,570
Current discount rate (7.15%)	3,751,888
1% increase (8.15%)	2,233,326

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $22,939,117 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Public Agency Retirement System

The District also contributes to the Public Agency Retirement System (PARS), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by Federal law, all public sector employees who are not members of their employee's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes one percent of an employee's gross earnings. An employee is required to contribute 6.5 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to $94,560, which was one percent of its current-year covered payroll. Employee contributions amounted to $615,903.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigations 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, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Security Site Upgrades	$ 1,792,132	08/31/18
Indian Springs High School - Performing Arts Center	1,630,969	08/31/18
Athletic Complex Upgrades-Phase II- San Gorgorio High School	708,529	08/15/18
BOE Renovation	9,056,168	04/30/19
San Andreas High School - Growing Hope - Classroom G-2	777,355	08/15/18
Richardson Prep Snack Shack HVAC Replacement	86,268	07/31/18
Hillside ES Parking Lot & Shade Shelter	235,000	09/30/18
Indian Springs HS Canopy Repairs	388,225	08/15/18
Smart Solar Projects (10 Sites)	1,246	11/30/18
	$ 14,675,892	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Southern California School's Risk Management (SCSRM), Southern California School's Employees Benefit Association (SCSEBA), and the Schools' Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to each entity for its property liability coverage, dental and life insurance coverage, and excess liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments of $2,886,068, $467,441, and $301,316 to SCSRM, SCSEBA, and SELF, respectively, for the coverage noted above.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Business-Type Activities	
Net Position - Beginning	$ 10,422,651
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(1,778,652)
Net Position - Beginning as Restated	$ 8,643,999
Government-Wide Financial Statements	
Net Position - Beginning	$ 481,335,247
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(54,829,446)
Net Position - Beginning as Restated	$ 426,505,801

REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 510,210,430	$ 516,416,859	$ 511,267,773	$ (5,149,086)
Federal sources	44,503,620	64,417,079	57,321,301	(7,095,778)
Other State sources	68,092,912	100,830,622	93,273,229	(7,557,393)
Other local sources	6,071,311	11,470,152	9,794,239	(1,675,913)
Total Revenues [1]	628,878,273	693,134,712	671,656,542	(21,478,170)
EXPENDITURES				
Current				
Certificated salaries	275,600,921	289,255,670	285,876,385	3,379,285
Classified salaries	82,565,651	89,219,068	84,698,050	4,521,018
Employee benefits	152,664,231	162,924,496	156,318,083	6,606,413
Books and supplies	38,006,755	53,287,580	34,971,824	18,315,756
Services and operating expenditures	96,352,844	113,186,497	99,088,694	14,097,803
Capital outlay	4,061,635	25,700,905	8,233,314	17,467,591
Other outgo	(1,574,004)	(1,678,392)	(1,147,999)	(530,393)
Debt service - principal	-	-	109,466	(109,466)
Debt service - interest	-	-	15,845	(15,845)
Total Expenditures [1]	647,678,033	731,895,824	668,163,662	63,732,162
Excess (Deficiency) of Revenues Over Expenditures	(18,799,760)	(38,761,112)	3,492,880	42,253,992
Other Financing Uses				
Transfers out	(3,508,495)	(1,501,324)	(2,121,667)	(620,343)
NET CHANGE IN FUND BALANCE	(22,308,255)	(40,262,436)	1,371,213	41,633,649
Fund Balance - Beginning	104,743,185	104,743,185	104,743,185	-
Fund Balance - Ending	$ 82,434,930	$ 64,480,749	$ 106,114,398	$ 41,633,649

[1] As Fund 14, Deferred Maintenance Fund, for reporting purposes has been consolidated into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 6,898,715
Interest	2,744,804
Benefit payments	(3,195,139)
Net change in total OPEB liability	6,448,380
Total OPEB liability - beginning	76,666,053
Total OPEB liability - ending (a)	$ 83,114,433
Plan Fiduciary Net Position	
Contributions - employer	$ 3,195,139
Net investment income	6,515
Benefit payments	(3,195,139)
Administrative expense	(54)
Net change in plan fiduciary net position	6,461
Plan fiduciary net position - beginning	61,439
Plan fiduciary net position - ending (b)	$ 67,900
District's net OPEB liability - ending (a) - (b)	$ 83,046,533
Plan fiduciary net position as a percentage of the total OPEB liability	0.08%
Covered-employee payroll	$ 366,519,389
District's net OPEB liability as a percentage of covered-employee payroll	22.66%

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

See accompanying note to required supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.9334%
District's proportionate share of the net OPEB liability	$ 3,927,024
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to required supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.5156%	0.5069%
District's proportionate share of the net pension liability	$ 476,814,851	$ 409,953,840
State's proportionate share of the net pension liability associated with the District	282,079,638	233,379,408
Total	$ 758,894,489	$ 643,333,248
District's covered - employee payroll	$ 271,078,657	$ 256,558,229
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	175.90%	159.79%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.6748%	0.6771%
District's proportionate share of the net pension liability	$ 161,091,171	$ 133,720,804
District's covered - employee payroll	$ 87,645,191	$ 81,804,735
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	183.80%	163.46%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%
CalPERS- SAFETY RISK POOL		
District's proportion of the net pension liability	0.0628%	0.0657%
District's proportionate share of the net pension liability	$ 3,751,888	$ 3,402,716
District's covered - employee payroll	$ 1,853,036	$ 1,545,625
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	202.47%	220.15%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.5067%	0.4545%
$ 341,161,128	$ 265,575,937
180,436,628	160,366,217
$ 521,597,756	$ 425,942,154
$ 235,204,155	$ 224,057,629
145.05%	118.53%
74%	77%
0.6606%	0.7166%
$ 97,352,351	$ 81,354,671
$ 79,747,749	$ 69,703,855
122.08%	116.71%
79%	83%
0.0713%	0.0473%
$ 2,937,502	$ 2,941,679
$ 1,192,863	$ 1,158,119
246.26%	254.00%
78%	79%

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 37,799,152	$ 34,101,695
Contributions in relation to the contractually required contribution	37,799,152	34,101,695
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 261,948,385	$ 271,078,657
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 14,445,322	$ 12,173,917
Contributions in relation to the contractually required contribution	14,445,322	12,173,917
Contribution deficiency (excess)	$ 28,890,644	$ 24,347,834
District's covered - employee payroll	$ 93,009,607	$ 87,645,191
Contributions as a percentage of covered - employee payroll	15.53%	13.89%
CalPERS - SAFETY RISK POOL		
Contractually required contribution	$ 703,070	$ 790,628
Contributions in relation to the contractually required contribution	703,070	790,628
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 2,074,975	$ 1,853,036
Contributions as a percentage of covered - employee payroll	33.88%	42.67%

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

See accompanying note to required supplementary information.

2016		2015	
$	27,528,698	$	20,886,129
	27,528,698		20,886,129
$	-	$	-
$	256,558,229	$	235,204,155
	10.73%		8.88%
$	9,691,407	$	9,386,310
	(9,691,407)		(9,386,310)
$	-	$	-
$	81,804,735	$	79,747,749
	11.85%		11.77%
$	934,869	$	729,241
	934,869		729,241
$	-	$	-
$	1,545,625	$	1,192,863
	60.48%		61.13%

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** No changes noted in benefit terms.

***Changes of Assumptions* –** Changes of assumptions and other inputs reflect a change in the discount rate from 4.6 percent in 2016 to 3.5 percent in 2017.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

> ***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
>
> ***Changes of assumptions* –** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Indian Education	84.060A	[1]	$ 42,168
Safe and Drug-Free Schools and Communities	84.184M	[1]	800,521
School Emergency Response to Violence	84.148S	[1]	69,651
Passed through California Department of Education (CDE)			
Adult Education - Basic Grants to States:			
Adult Basic Education and ELA	84.002A	14508	511,163
Adult Secondary Education	84.002	13978	300,865
Adult English Literacy and Civics Education	84.002A	14109	159,996
Subtotal Adult Education - Basic Grants to States			972,024
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	33,369,525
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330	14831	26,466
Title II, Part A - Supporting Effective Instruction	84.367	14341	2,219,650
English Language Acquisition Grants:			
Title III - Immigrant Student Program	84.365	15146	42,976
Title III - English Learner Student Program	84.365	14346	1,552,871
Subtotal English Language Acquisition Grants			1,595,847
Title X - McKinney-Vento Homeless Assistance Grants	84.196	14332	164,827
Title IV, Part B - 21st Century Community Learning Centers	84.287	14349	2,221,900
Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	10,954,937
Preschool Grants, Part B, Sec 619	84.173	13430	161,128
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	537,342
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	566,330
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,939
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	3,666
Subtotal Special Education Cluster			12,225,342
Early Intervention Grants	84.181	23761	59,697
Secondary Education	84.048	14894	648,015
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126A	10006	339,601
Vocational Rehabilitation Services Program	84.126A	[2]	31,980
Subtotal Vocational Grants			371,581
PROMISE Grant	84.U01	[2]	160,569
Total U.S. Department of Education			54,947,783

[1] Direct award funded program, no PCA number.
[2] PCA number not available

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	$ 474,340
Medi-Cal Administrative Activities	93.778	10060	2,879,391
Subtotal Medi-Cal Assistance Program			3,353,731
Youth Risk Behavior Program	93.079	01031	3,000
Passed through CDE			
Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	15136	176,073
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596	13609	383,051
Subtotal CCDF Cluster			559,124
Total U.S. Department of Health and Human Services			3,915,855
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	20,969,674
Basic School Breakfast Program	10.553	13390	4,779
Especially Needy Breakfast Program	10.553	13526	4,695,923
Meal Supplements	10.556	13392	551,584
Seamless Summer Food Program	10.559	13004	123,599
Commodities	10.555	13396	2,033,234
Subtotal Child Nutrition Cluster			28,378,793
Child & Adult Care Food Program	10.558	13393	998,197
Total U.S. Department of Agriculture			29,376,990
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Office Training Corps	12.000	[1]	110,011
Total U.S. Department of Defense			110,011
Total Expenditure of Federal Awards			$ 88,350,639

[1] Direct award funded program, no PCA number.

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The San Bernardino City Unified School District was established July 1, 1964. The District operates forty-nine elementary schools, one K-8 school, ten middle schools, a middle college, six comprehensive high schools, one alternative education school, two continuation high schools, two community day schools, an adult education school, and two special education schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Abigail Medina	President	2022
Gwendolyn Rodgers	Vice President	2020
Dr. Barbara Flores	Member	2022
Michael J. Gallo	Member	2020
Dr. Margaret Hill	Member	2020
Danny Tillman	Member	2022
Scott Wyatt, Ed.D	Member	2020

ADMINISTRATION

Dale Marsden, Ed.D	Superintendent
Harold Vollkommer, Ed.D	Deputy Superintendent
Jayne Christakos	Chief Business Officer
Perry Wiseman, Ed.D	Assistant Superintendent, Human Resources
Kennon Mitchell, Ph.D	Assistant Superintendent, Educational Services
Rachel Monárrez, Ph.D	Assistant Superintendent, Continuous Improvement
Lorraine Perez, Ed.D.	Assistant Superintendent, Student Services

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report 4C4F53E5	Annual Report 74A68EDB
Regular ADA		
Transitional kindergarten through third	15,572.45	15,592.48
Fourth through sixth	11,727.76	11,724.53
Seventh and eighth	6,862.43	6,852.35
Ninth through twelfth	12,435.72	12,243.75
Total Regular ADA	46,598.36	46,413.11
Extended Year Special Education		
Transitional kindergarten through third	-	14.85
Fourth through sixth	-	9.05
Seventh and eighth	-	3.89
Ninth through twelfth	-	11.77
Total Extended Year Special Education	-	39.56
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	5.84	6.56
Fourth through sixth	9.74	9.86
Seventh and eighth	21.36	21.36
Ninth through twelfth	52.30	50.11
Total Special Education, Nonpublic, Nonsectarian Schools	89.24	87.89
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.17	0.65
Fourth through sixth	0.43	0.76
Seventh and eighth	0.39	1.29
Ninth through twelfth	1.77	3.13
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.76	5.83
Community Day School		
Transitional kindergarten through third	2.60	2.87
Fourth through sixth	11.13	10.73
Seventh and eighth	2.23	2.24
Total Community Day School	15.96	15.84
Total ADA	46,706.32	46,562.23

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,800	180	-	Complied
Grade 2		54,800	180	-	Complied
Grade 3		54,800	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,800	180	-	Complied
Grade 5		54,800	180	-	Complied
Grade 6		54,800	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		61,446	180	-	Complied
Grade 8		61,446	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,736	180	-	Complied
Grade 10		65,736	180	-	Complied
Grade 11		65,736	180	-	Complied
Grade 12		65,736	180	-	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND[3]				
Revenues	$ 681,975,109	$ 669,637,335	$ 648,250,038	$ 624,891,878
Other sources and transfers in	-	-	-	59,977
Total Revenues and Other Sources	681,975,109	669,637,335	648,250,038	624,951,855
Expenditures	(718,644,852)	(666,280,162)	(625,454,066)	(593,626,278)
Other uses and transfers out	(885,663)	(2,121,667)	(1,155,932)	(1,896,851)
Total Expenditures and Other Uses	(719,530,515)	(668,401,829)	(626,609,998)	(595,523,129)
INCREASE (DECREASE) IN FUND BALANCE	$ (37,555,406)	$ 1,235,506	$ 21,640,040	$ 29,428,726
ENDING FUND BALANCE	$ 68,409,587	$ 105,964,993	$ 104,729,487	$ 83,089,447
AVAILABLE RESERVES [2]	$ 15,503,143	$ 14,876,118	$ 30,492,220	$ 32,020,305
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.2%	2.2%	4.9%	5.4%
LONG-TERM OBLIGATIONS [4]	N/A	$ 462,878,191	$ 411,658,775	$ 355,507,537
K-12 AVERAGE DAILY ATTENDANCE AT P-2	46,609	46,706	46,889	47,372

The General Fund balance has increased by $22,875,546 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $37,555,406 (35.4 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $107,370,654 over the past two years.

Average daily attendance has decreased by 666 over the past two years. An additional decline of 97 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

[3] General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

[4] Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included in Audit Report
PAL Academy (Charter No. 0335)	No
ASA Charter (Charter No. 0677)	No
Public Safety Academy (Charter No. 0731)	No
SOAR Charter Academy (Charter No. 0982)	No
Options for Youth (Charter No. 1132)	No
New Vision Middle (Charter No. 1089)	No
Hardy Brown College Prep (Charter No. 1155)	No
Excel Prep Charter (Charter No. 1153)	No
Taft T. Newman Leadership Academy (Charter No. 1437)	No
Woodward Leadership Academy (Charter No. 1438)	No
Ballington Academy for the Arts and Science - San Bernardino (Charter No. 1795)	No

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 773,388	$ 137,379	$ 5,871,864
Receivables	1,717,030	72,522	42,411
Due from other funds	27,639	2,121,667	-
Total Assets	$ 2,518,057	$ 2,331,568	$ 5,914,275
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 682,448	$ 869,460	$ 2,376,636
Due to other funds	851,234	854,880	8,160
Unearned revenue	146,777	190,013	-
Total Liabilities	1,680,459	1,914,353	2,384,796
Fund Balances:			
Restricted	667,741	417,215	3,529,479
Assigned	169,857	-	-
Total Fund Balances	837,598	417,215	3,529,479
Total Liabilities and Fund Balances	$ 2,518,057	$ 2,331,568	$ 5,914,275

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 27,479,305	$ 10,090,637	$ 19,961,059	$ 64,313,632
107,513	29,659	-	1,969,135
-	-	-	2,149,306
$ 27,586,818	$ 10,120,296	$ 19,961,059	$ 68,432,073
$ -	$ 227,478	$ -	$ 4,156,022
-	-	-	1,714,274
-	-	-	336,790
-	227,478	-	6,207,086
27,586,818	-	19,961,059	52,162,312
-	9,892,818	-	10,062,675
27,586,818	9,892,818	19,961,059	62,224,987
$ 27,586,818	$ 10,120,296	$ 19,961,059	$ 68,432,073

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Capital Facilities Fund
REVENUES			
Federal sources	$ 972,024	$ 559,124	$ -
Other State sources	7,387,190	9,769,515	-
Other local sources	463,362	228,442	593,192
Total Revenues	8,822,576	10,557,081	593,192
EXPENDITURES			
Current		-	
Instruction	5,113,570		-
Instruction-related activities:			
Supervision of instruction	96,676	428,148	-
School site administration	2,381,544	229,850	-
Pupil services:			
All other pupil services	331,428	36,620	-
Administration:			
All other administration	276,712	456,305	-
Plant services	701,864	290,779	-
Community services	-	10,826,981	-
Other outgo	-	-	-
Facility acquisition and construction	1,480	11,784	7,611,034
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	8,903,274	12,280,467	7,611,034
Excess (Deficiency) of Revenues Over Expenditures	(80,698)	(1,723,386)	(7,017,842)
Other Financing Sources (Uses)			
Transfers in	-	2,121,667	-
Other sources - premium on issuance of general obligation bonds	-	-	-
Transfers out	-	-	(4,900,005)
Net Financing Sources (Uses)	-	2,121,667	(4,900,005)
NET CHANGE IN FUND BALANCES	(80,698)	398,281	(11,917,847)
Fund Balances - Beginning	918,296	18,934	15,447,326
Fund Balances - Ending	$ 837,598	$ 417,215	$ 3,529,479

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 1,531,148
-	-	-	162,197	17,318,902
346,358	93,856	-	16,369,473	18,094,683
346,358	93,856	-	16,531,670	36,944,733
-	-	-	-	5,113,570
-	-	-	-	524,824
-	-	-	-	2,611,394
-	-	-	-	368,048
-	-	-	-	733,017
-	-	-	-	992,643
-	-	-	-	10,826,981
-	-	64	-	64
-	1,493,022	-	-	9,117,320
-	-	-	7,655,000	7,655,000
-	-	-	8,368,979	8,368,979
-	1,493,022	64	16,023,979	46,311,840
346,358	(1,399,166)	(64)	507,691	(9,367,107)
110,780	8,064,297	-	-	10,296,744
-	-	-	2,493,624	2,493,624
(3,164,297)	(110,780)	-	-	(8,175,082)
(3,053,517)	7,953,517	-	2,493,624	4,615,286
(2,707,159)	6,554,351	(64)	3,001,315	(4,751,821)
30,293,977	3,338,467	64	16,959,744	66,976,808
$ 27,586,818	$ 9,892,818	$ -	$ 19,961,059	$ 62,224,987

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 District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, the District received Qualified School Construction Bonds - Interest Subsidy funds which are not required to be reported on the Schedule of Expenditures of Federal Awards.

Description	Federal CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Revenues, Expenses and Changes in Net Position:		$ 90,842,540
Medi-Cal Billing Option	93.778	121,200
Qualified School Construction Bonds - Interest Subsidy	[1]	(2,613,101)
Total Schedule of Expenditures of Federal Awards		$ 88,350,639

[1] CFDA number not available

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
San Bernardino City Unified School District
San Bernardino, 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, the business-type activities, each major fund, and the aggregate remaining fund information of San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise San Bernardino City Unified School District's basic financial statements, and have issued our report thereon dated December 17, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of San Bernardino City Unified School District in a separate letter dated December 17, 2018.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
San Bernardino City Unified School District
San Bernardino, California

Report on Compliance for Each Major Federal Program

We have audited San Bernardino City Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Bernardino City Unified School District's major Federal programs for the year ended June 30, 2018. San Bernardino City Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 San Bernardino City Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 San Bernardino City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, San Bernardino City Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of San Bernardino City Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Bernardino City Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 San Bernardino City Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 weakness 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
San Bernardino City Unified School District
San Bernardino, California

Report on State Compliance

We have audited San Bernardino City Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the San Bernardino City Unified School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the San Bernardino City Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about San Bernardino City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of San Bernardino City Unified School District's compliance with those requirements.

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Unmodified Opinion

In our opinion, San Bernardino City Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study because the ADA reported for the program was below the materiality threshold required for testing.

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

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

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

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Course-Based Independent Study Program; therefore, we did not perform procedures related to Independent Study - Course Based.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster
93.778	Medi-Cal Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,650,519
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statements Findings

2017-001 30000

Criteria or Specific Requirements

Under the accrual basis of accounting, amounts due to private persons, businesses, or other vendors for services rendered and goods received on or before the close of the fiscal year should be accrued to ensure expenditures are recorded in the year they are incurred. Amounts accrued should be based on actual goods provided or services rendered as of year-end to the extent such information is available from vendors. It may be necessary to estimate the amount due. In such instances, estimates should be based on information available to reasonably estimate, such as estimates provided by a vendor when an invoice is not yet available.

Condition

The District accrued liabilities in excess of amounts owed. Such amounts were associated with invoices related to utility services, phone bills, and capital outlay activities in multiple funds amounting to $5,922,386.

Questioned costs

There were no questioned costs associated with the condition identified. However, audit adjustments were required as a result of the over-accrued liabilities.

Context

The condition was identified through our substantive procedures performed over the District's accounts payable balances and through examination of supporting documents.

Effect

Due to the condition identified, the District's accounts payable and the associated expenditures were overstated by $5,922,386 in total, expanding through multiple funds.

Cause

The cause of the condition identified appears to have originated as a result of the combination of over-estimating amounts due without an invoice present and not properly closing open purchase orders, which resulted in automatically accruing the full amount.

Recommendation

The District should implement a process to ensure all invoices that require estimation are estimated accurately by reviewing invoices for the same month in the prior year or by contacting the vendor. The District should also review all of its open purchase orders and close them, if no expenses have been incurred before year-end to prevent them from being automatically accrued.

Current Status

Partially implemented. See management letter comment.

State Awards Findings

2017-002 40000

After School Education and Safety Program

Criteria or Specific Requirements

According to the California *Education Code* Section 8483a(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy.

Condition

While verifying the total students served for the month of November 2016, the auditor noted instances where students were signed out early in the after school program or arrived late in the before school program without documenting the reason for early release or late arrival. Since the reason for early release or late arrival is not documented, it cannot be determined if the early release or late arrival is consistent with the early release/late arrival policy.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Del Rosa Elementary, Norton Elementary, Rio Vista Elementary, Vermont Elementary, Del Vallejo Middle, and Newark Sunrise attendance records, and monthly attendance summary totals for the month of November 2016. The auditor selected five out of fifty-eight after school programs and one out of 16 before school programs for the first semi-annual reporting period dated July to December 2016. The auditor reviewed sign in/sign out records for the month of November 2016, and noted instances where students signed in late or signed out early without documenting the reason for early release.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8483a(2) for the 2016-2017 fiscal year since the students were signing in late or signing out early without a reason. As such, it could not be determined if the students arriving late or leaving early were in compliance with the early release/late arrival policy.

Cause

The cause of the condition appears to be a result of parents failing to record an early release/late arrival code in the system when checking their child in/out of the program.

Recommendation

We recommend the District continue to enforce it's early release/late arrival policy by communicating with parents the importance of documenting the reason for early release or late arrival.

Current Status

Implemented

2017-003 40000

Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states school districts should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 36 students as having designation of free or reduced and 4 students as having designation of English learner on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Questioned Costs

The District over claimed the total eligible pupils by 36, resulting in a decrease of approximately $29,246 in Local Control Funding Formula (LCFF) funding.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1).

The initial sample of FRPM Only students was selected from eleven school sites, which resulted in exceptions noted for two of these sites. For 40 students selected, three had their status changed to Paid after the Verification process was performed by the Nutrition Services Department. The auditor requested that the District identify all remaining students who had their status changed to Paid due to the verification process. The District's review of all remaining students resulted in a total of 32 students identified that were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

The initial sample of EL only students were selected from ten school sites, which resulted in exceptions noted for one of the sites. For 17 students selected, one had been exited out of EL designation before the census date. The auditor requested that the District review all of its EL students and determine how many more students had been exited out of EL designation before census date but their status wasn't changed in CALPADS. The District's review resulted in a total of 4 students who were incorrectly designated as EL on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report to align the reporting with the accurate EL status and most current free and reduced eligibility information from the District's Nutrition Services Department. The following schedule identifies the exceptions District-wide.

Enrollment Count	Certified Total Unduplicated Count	Adjustment for FRPM	Adjustment for EL	Adjusted Total Unduplicated Count
49,840	44,466	(32)	(4)	44,430

Cause

The primary cause for inaccurate reporting of FRPM students appears to be early upload of Verification data into CalPADS. The Nutrition Department finished the verification in mid-November but the upload of changes in statuses due to verification was completed at the end of October.

The primary cause of inaccurate reporting of EL students appears to be two different statuses in CalPADS. The District needs to delete the old status in CalPADS for the new and accurate status to be able to take its place.

Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measures are taking place to ensure that CALPADS information is being updated.

Current Status

Implemented

Governing Board
San Bernardino City Unified School District
San Bernardino, California

In planning and performing our audit of the financial statements of San Bernardino City Unified School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 17, 2018, on the government-wide financial statements of the District.

ACCRUED LIABILITIES

Observation

The District over accrued the liability for utilities by accruing the outstanding purchase order amount instead of basing the year-end accrual on the actual invoice amount due.

Recommendation

We recommend the District review its procedures related year-end accruals of liabilities to add an extra layer of review to ensure only actual invoice amounts or estimated invoice amounts per vendors are accrued as liabilities and not the outstanding amount of purchase orders.

ASSOCIATED STUDENT BODY (ASB)

Marshall Elementary School

Observation

One out of the three disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel. This would allow the reviewing administrator to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

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Ramona-Alessandro Elementary School

Observations

1. Four of five disbursements tested did not have an expenditure request form. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. Two of five transactions reviewed did not have receiving documentation or acknowledgement of appropriate items received. As a result, vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
3. The site was not utilizing fundraising activity request forms and revenue potential forms.

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel. This would allow the reviewing administrator to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

Barton Elementary School

Observations

1. One of the deposits tested did not have any supporting documents and the actual amount deposited did not agree to the deposit ticket.
2. Out of the five disbursements tested, three did not have explicit receiving documentation for the goods purchased.
3. From the fundraising event tested it contained a revenue potential form that was not complete.
4. Per review of the prepared bank reconciliation, it was noted that the reconciled book balance did not agree to the actual book balance.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. In addition, amounts deposited should be verified by tracing supporting receipts or deposit ticket to the bank statement to ensure the amount deposited made it to the bank intact.
2. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
3. All revenue potentials must be completely filled out at the end of each fundraiser. The revenue potentials form is important because it shows whether or not all the monies that should have been raised and turned in actually were based on the price of the item and number sold. The form is also used to document overages and shortages or losses of merchandise. An explanation of any overages/shortages must be documented on the form. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
4. The site should ensure that the bank reconciliation is prepared timely and by an appropriate personnel and a review should be performed by a person independent of the preparer to ensure it is prepared accurately and any variances can be further investigated so all the activity through bank statement is accounted for.

Hunt Elementary School

Observations

1. Cash deposits forwarded from teachers or advisors to the associated student body bookkeeper are not always accompanied by a cash count sheet documenting the deposit total as counted by the teacher or advisor.
2. It appears that the site does not provide adequate controls over cash receipts. Pre-numbered receipts are not used to account for cash collections and therefore, there is no reconciliation between issued receipts and bank deposits.
3. Based on the review of the cash receipting procedures, it was noted that four of eighteen deposits tested were not deposited in a timely manner. Delay in deposit was approximately 41 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
4. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, one of two disbursements were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
5. Revenue potential forms are not being used to document and control fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.

Recommendations

1. The cash count sheet serves the same purpose as a bank deposit slip, it provides for a reconciliation process since the deposit is usually not verified with both parties present. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. This procedure decreases the number of disputes arising from deposits processed incorrectly.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
3. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $100.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit.
4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
5. All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potential form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales and an explanation of the difference. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

Cypress Elementary School

Observations

1. Based on the review of the cash receipting procedures, it was noted that two of ten deposits tested were not deposited in a timely manner. The delay in the deposit ranged from approximately 14 to 15 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Three of 3 disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendations

1. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $100.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel. This would allow the reviewing administrator to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Cesar Chavez Middle School

Observation

Three of five revenue potential forms were incomplete. One of the three revenue potential forms did not have the actuals column filled out. Two of three revenue potential forms tested did not provide an explanation for the difference between the estimated and the actual.

Recommendation

Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

Del Vallejo Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that one of seven deposits tested were not deposited in a timely manner. The delay in the deposit was approximately 14 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. One of the revenue potential forms wasn't approved by the school's administrator and it didn't include an explanation for variances between expected versus actual amounts.
3. The school was not able to provide its account analysis report for the fiscal year 2018 due to glitches with their ASB accounting system, which will not be fixed in a timely manner for us to be able to review the report.

Recommendations

1. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $200.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommended that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.
2. The revenue potential forms should be approved by an appropriate personnel and is prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
3. We recommend the site prepare this report as soon as the school year is over to ensure timely review during audit process.

Golden Valley Middle School

Observations

1. Cash deposits forwarded from teachers or advisors to the associated student body bookkeeper are not always accompanied by a cash count sheet documenting the deposit total as counted by the teacher or advisor.
2. One of the two revenue potential forms tested did not have adequate supporting documentation to substantiate the actual revenue amount indicated on the form.

Recommendations

1. The cash count sheet serves the same purpose as a bank deposit slip, it provides for a reconciliation process since the deposit is usually not verified with both parties present. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. This procedure decreases the number of disputes arising from deposits processed incorrectly.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. This will an audit trail so the amount recorded as revenue can be traced to the supporting documentation.

Serrano Middle School

Observations

1. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, one of 4 vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.

2. Based on the review of the cash receipting procedures, it was noted that 1 of 11 deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 13 to 15 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
3. The school was not able to provide its account analysis report for the fiscal year 2018 due to glitches with their ASB accounting system, which will not be fixed in a timely manner for us to be able to review the report.

Recommendations

1. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
2. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $200.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommended that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.
3. We recommend the site prepare this report as soon as the school year is over to ensure timely review during audit process.

Curtis Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that two of seventeen receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 13 to 16 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Two of two disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. Both revenue potential forms tested did not include actual profit and did not include explanation for variances between actual and expected amounts.

Recommendations

1. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $200.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommended that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.

2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

Arroyo Valley High School

Observation

During review of cash collections process, we noted that advisors deposit count sheets did contain explicit documentation that a count was performed by two individuals although two individuals were present during reconciliation process.

Recommendation

The cash count sheet provides for a reconciliation process of the monies collected. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. A signature will help to decrease the number of disputes arising from deposits processed incorrectly or the amount that was actually deposited.

San Bernardino High School

Observations

1. Based on the review of the cash receipting procedures, it was noted that six of 42 receipts tested were not deposited in a timely manner. Delay in deposit ranged from approximately 13 to 42 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Three of nine disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, six of nine vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
4. Two of nine disbursements tested did not have a purchase request form.
5. One of the two revenue potential forms tested did not have adequate supporting documentation to substantiate the actual revenue and disbursement amounts. Both revenue potential forms tested did not include actual profit and did not include explanation for variances between actual and expected amounts.

6. During review of ticket sales procedures, we noted that the sales report form was incomplete. Number of tickets sold was not documented on the form and no reconciliation was performed between tickets sold and revenues collected. Both ticketed events tested did not have adequate supporting documentation to substantiate the actual revenue collected.

Recommendations

1. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $300.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommended that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. ASB should ensure all requested purchases utilize proper documents during the purchase requisition and approval process. This will ensure all the appropriate approvals are in place for each disbursements and can be traced to those documents.
5. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. This will ensure presence of an audit trail so the amount recorded as revenue can be traced to the supporting documentation. Appropriate invoices and purchase request forms should be used and kept on a file related to fundraisers so actual disbursement can be traced to the supporting documents and also provides an audit trail. Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
6. Site should review current forms and determine whether they are adequate in determining that all necessary information is present in order to perform reconciliation. The form should document first ticket number and last ticket number and multiply the number of tickets sold to the ticket price and compare the amount to the actual cash collected. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. This will an audit trail so the amount recorded as revenue can be traced to the supporting documentation. Appropriate invoices and purchase request forms should be used and kept on a file related to fundraisers so actual disbursement can be traced to the supporting documents and also provides an audit trail.

Indian Springs High School

Observations

1. No proper documentation was maintained to document the reconciliation between tickets sold and cash collected for both ticketed events tested.
2. All five tested revenue potential forms were incomplete. The forms did not indicate actual revenues collected or cash disbursed for any of the fundraisers.
3. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, two of 18 vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
4. One of the 18 disbursements tested was not approved prior to the transaction taking place. Another disbursement did not include a purchase order.

Recommendations

1. A ticket sales form should be prepared for every event where tickets are used as the main medium of verifying the cash collections. The form should clearly identify the different tickets used and the value of each ticket type. The cash collected should be reconciled to the tickets sold and any significant variances explained.
2. Revenue potential forms should be prepared to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved the student council. This would allow the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Governing Board
San Bernardino City Unified School District

San Andreas Continuation High School

Observations

1. Based on the review of the cash receipts it was noted that each of the five deposits tested contained receipts that were not deposited in a timely manner. Delay in deposit was ranged from 11 to 23 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. The selected disbursement was not approved prior to transactions taking place.
3. The ASB bank reconciliation contains an outstanding duplicate check entry that has been voided. As the voided outstanding item does not represent an actual check, it should be removed from the ASB bank reconciliations.
4. The school was not able to provide its account analysis report for the fiscal year 2018 due to glitches with their ASB accounting system, which will not be fixed in a timely manner for us to be able to review the report.

Recommendations

1. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $300.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommended that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.
2. In order to ensure proper internal controls over the ASB disbursements, all disbursements should be preapproved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. To accurately determine the ASB reconciled cash balance, the erroneous outstanding item should be cleared from future reconciliations.
4. We recommend the site prepare this report as soon as the school year is over to ensure timely review during audit process.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2018