

# BARSTOW UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**BARSTOW UNIFIED SCHOOL DISTRICT**  
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**JUNE 30, 2018**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Governing Board  
Barstow Unified School District  
Barstow, California

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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Michael D. Ash, CPA

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State Board of Accountancy*

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Barstow Unified School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Barstow 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 Barstow 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 Barstow Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Chisty White Associates".

San Diego, California  
December 14, 2018

# BARSTOW UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

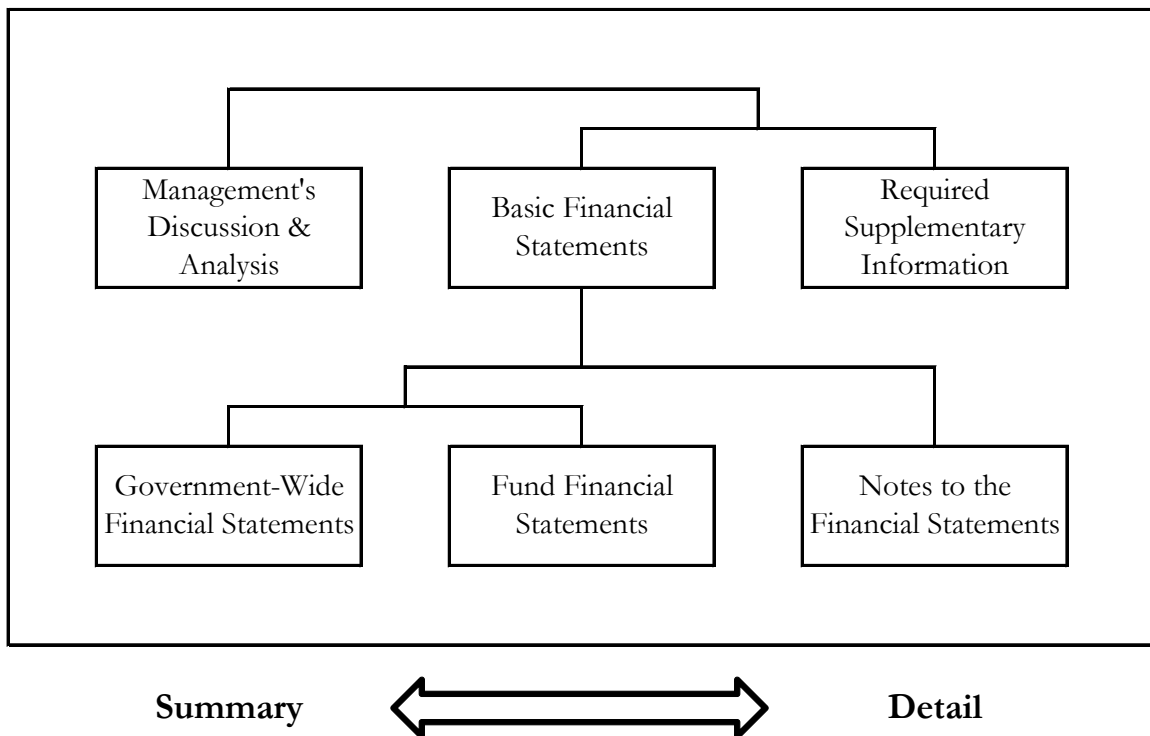
Our discussion and analysis of Barstow Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position was \$22,595,845 at June 30, 2018. This was an increase of \$1,374,286 from the prior year after restatement.
- Overall revenues were \$75,335,498 which exceeded expenses of \$73,961,212.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section





**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

**Government-Wide Statements**

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

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

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$22,595,845 at June 30, 2018, as reflected in the table below. Of this amount, (\$21,546,721) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 59,064,132	\$ 47,689,468	\$ 11,374,664
Capital assets	44,461,388	27,907,426	16,553,962
<b>Total Assets</b>	<b>103,525,520</b>	<b>75,596,894</b>	<b>27,928,626</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>18,359,445</b>	<b>12,319,156</b>	<b>6,040,289</b>
<b>LIABILITIES</b>			
Current liabilities	14,024,218	4,823,835	9,200,383
Long-term liabilities	83,172,914	60,346,594	22,826,320
<b>Total Liabilities</b>	<b>97,197,132</b>	<b>65,170,429</b>	<b>32,026,703</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,091,988</b>	<b>1,524,062</b>	<b>567,926</b>
<b>NET POSITION</b>			
Net investment in capital assets	22,658,392	18,751,441	3,906,951
Restricted	21,484,174	22,205,148	(720,974)
Unrestricted	(21,546,721)	(19,735,030)	(1,811,691)
<b>Total Net Position</b>	<b>\$ 22,595,845</b>	<b>\$ 21,221,559</b>	<b>\$ 1,374,286</b>

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

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

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 484,746	\$ 306,461	\$ 178,285
Operating grants and contributions	12,588,809	22,593,558	(10,004,749)
General revenues			
Property taxes	6,852,829	6,377,956	474,873
Unrestricted federal and state aid	54,322,753	53,263,888	1,058,865
Other	1,086,361	820,180	266,181
<b>Total Revenues</b>	<b>75,335,498</b>	<b>83,362,043</b>	<b>(8,026,545)</b>
<b>EXPENSES</b>			
Instruction	42,010,262	41,525,628	484,634
Instruction-related services	7,467,039	7,278,967	188,072
Pupil services	9,067,192	8,053,991	1,013,201
General administration	4,701,123	4,631,026	70,097
Plant services	8,158,445	8,829,920	(671,475)
Debt service	887,715	543,175	344,540
Other outgo	1,669,436	224,865	1,444,571
<b>Total Expenses</b>	<b>73,961,212</b>	<b>71,087,572</b>	<b>2,873,640</b>
<b>Change in net position</b>	<b>1,374,286</b>	<b>12,274,471</b>	<b>(10,900,185)</b>
<b>Net Position - Beginning</b>	<b>21,221,559</b>	<b>8,947,088</b>	<b>12,274,471</b>
<b>Net Position - Ending</b>	<b>\$ 22,595,845</b>	<b>\$ 21,221,559</b>	<b>\$ 1,374,286</b>

The cost of all our governmental activities this year was \$73,961,212 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$6,852,829 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2018</b>	<b>2017</b>
Instruction	\$ 36,009,085	\$ 32,495,050
Instruction-related services	6,763,155	6,417,808
Pupil services	5,286,938	4,428,572
General administration	4,389,152	4,143,994
Plant services	7,353,442	1,946,563
Debt service	887,715	543,175
Other outgo	198,170	(1,787,609)
<b>Total Expenses</b>	<b>\$ 60,887,657</b>	<b>\$ 48,187,553</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$45,993,466, which is more than last year's ending fund balance of \$43,579,508. The District's General Fund had \$4,740,868 more in operating revenues than expenditures for the year ended June 30, 2018. The Building Fund had \$12,640,864 more in expenditures than operating revenue for the year ended June 30, 2018. The Special Reserve Fund for Capital Outlay Projects had \$4,736,759 more in expenditures than operating revenues for the year ended June 30, 2018.

**CURRENT YEAR BUDGET 2017-2018**

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

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017-2018 the District had invested \$44,461,388 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 3,083,792	\$ 3,083,792	\$ -
Construction in progress	18,819,253	1,460,201	17,359,052
Land improvements	6,979,779	6,955,256	24,523
Buildings & improvements	43,073,783	43,073,783	-
Furniture & equipment	6,783,857	6,571,183	212,674
Accumulated depreciation	(34,279,076)	(33,236,788)	(1,042,288)
<b>Total Capital Assets</b>	<b>\$ 44,461,388</b>	<b>\$ 27,907,427</b>	<b>\$ 16,553,961</b>

**Long-Term Liabilities**

At year-end, the District had \$83,172,914 in long-term debt, an increase of 37.83% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 27,687,458	\$ 12,173,141	\$ 15,514,317
Compensated absences	830,122	790,459	39,663
Net pension liability	55,327,440	47,997,994	7,329,446
Less: current portion of long-term debt	(672,106)	(615,000)	(57,106)
<b>Total Long-term Liabilities</b>	<b>\$ 83,172,914</b>	<b>\$ 60,346,594</b>	<b>\$ 22,826,320</b>

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2018**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official/Business Manager, at Barstow Unified School District, 551 South Avenue "H"; Barstow, California 92311.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 56,105,673
Accounts receivable	2,597,608
Inventory	334,031
Prepaid expenses	26,820
Capital assets, not depreciated	21,903,045
Capital assets, net of accumulated depreciation	22,558,343
<b>Total Assets</b>	<b>103,525,520</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	18,024,074
Deferred amount on refunding	335,371
<b>Total Deferred Outflows of Resources</b>	<b>18,359,445</b>
<b>LIABILITIES</b>	
Accrued liabilities	13,207,816
Unearned revenue	144,296
Long-term liabilities, current portion	672,106
Long-term liabilities, non-current portion	83,172,914
<b>Total Liabilities</b>	<b>97,197,132</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	2,091,988
<b>Total Deferred Inflows of Resources</b>	<b>2,091,988</b>
<b>NET POSITION</b>	
Net investment in capital assets	22,658,392
Restricted:	
Capital projects	17,130,602
Debt service	908,174
Educational programs	1,785,390
All others	1,660,008
Unrestricted	(21,546,721)
<b>Total Net Position</b>	<b>\$ 22,595,845</b>

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 42,010,262	\$ -	\$ 6,001,177	\$ (36,009,085)
Instruction-related services				
Instructional supervision and administration	1,317,325	-	518,389	(798,936)
Instructional library, media, and technology	682,868	-	-	(682,868)
School site administration	5,466,846	-	185,495	(5,281,351)
Pupil services				
Home-to-school transportation	3,102,569	-	-	(3,102,569)
Food services	2,932,513	289,950	2,712,756	70,193
All other pupil services	3,032,110	-	777,548	(2,254,562)
General administration				
Centralized data processing	1,492,917	-	(2,416)	(1,495,333)
All other general administration	3,208,206	12,901	301,486	(2,893,819)
Plant services	8,158,445	165,324	639,679	(7,353,442)
Interest on long-term debt	887,715	-	-	(887,715)
Other outgo	1,669,436	16,571	1,454,695	(198,170)
<b>Total Governmental Activities</b>	<b>\$ 73,961,212</b>	<b>\$ 484,746</b>	<b>\$ 12,588,809</b>	<b>(60,887,657)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				6,049,179
Property taxes, levied for debt service				572,504
Property taxes, levied for other specific purposes				231,146
Federal and state aid not restricted for specific purposes				54,322,753
Interest and investment earnings				387,159
Miscellaneous				699,202
<b>Subtotal, General Revenue</b>				<b>62,261,943</b>
<b>CHANGE IN NET POSITION</b>				<b>1,374,286</b>
<b>Net Position - Beginning</b>				<b>21,221,559</b>
<b>Net Position - Ending</b>				<b>\$ 22,595,845</b>

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



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2018**

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 24,579,951	\$ 11,378,869	\$ 14,007,775	\$ 6,139,078	\$ 56,105,673
Accounts receivable	2,105,059	53,477	66,884	372,188	2,597,608
Due from other funds	304,513	-	3,116,810	34,357	3,455,680
Stores inventory	272,562	-	-	61,469	334,031
Prepaid expenditures	21,446	-	-	5,374	26,820
<b>Total Assets</b>	<b>\$ 27,283,531</b>	<b>\$ 11,432,346</b>	<b>\$ 17,191,469</b>	<b>\$ 6,612,466</b>	<b>\$ 62,519,812</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 3,485,075	\$ 8,664,430	\$ 178,642	\$ 598,223	\$ 12,926,370
Due to other funds	2,979,874	171,250	9,514	295,042	3,455,680
Unearned revenue	144,296	-	-	-	144,296
<b>Total Liabilities</b>	<b>6,609,245</b>	<b>8,835,680</b>	<b>188,156</b>	<b>893,265</b>	<b>16,526,346</b>
<b>FUND BALANCES</b>					
Nonspendable	344,008	-	-	71,843	415,851
Restricted	1,408,680	2,596,666	17,003,313	3,353,627	24,362,286
Committed	-	-	-	2,512,654	2,512,654
Assigned	6,366,942	-	-	-	6,366,942
Unassigned	12,554,656	-	-	(218,923)	12,335,733
<b>Total Fund Balances</b>	<b>20,674,286</b>	<b>2,596,666</b>	<b>17,003,313</b>	<b>5,719,201</b>	<b>45,993,466</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 27,283,531</b>	<b>\$ 11,432,346</b>	<b>\$ 17,191,469</b>	<b>\$ 6,612,466</b>	<b>\$ 62,519,812</b>

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET POSITION**  
**JUNE 30, 2018**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 45,993,466</b>
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 78,740,464	
Accumulated depreciation	<u>(34,279,076)</u>	44,461,388

Deferred amount on refunding:

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

335,371

Unmatured interest on long-term debt:

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

(281,446)

Long-term liabilities:

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

Total general obligation bonds	\$ 27,687,458	
Compensated absences	830,122	
Net pension liability	<u>55,327,440</u>	(83,845,020)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 18,024,074	
Deferred inflows of resources related to pensions	<u>(2,091,988)</u>	15,932,086

<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>22,595,845</u></b>
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**BARSTOW 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	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 56,870,386	\$ -	\$ -	\$ 1,400,000	\$ 58,270,386
Federal sources	5,202,799	-	-	2,569,660	7,772,459
Other state sources	6,152,554	-	-	1,066,293	7,218,847
Other local sources	1,740,282	105,232	324,934	1,126,093	3,296,541
<b>Total Revenues</b>	<b>69,966,021</b>	<b>105,232</b>	<b>324,934</b>	<b>6,162,046</b>	<b>76,558,233</b>
<b>EXPENDITURES</b>					
Current					
Instruction	40,466,565	-	-	926,548	41,393,113
Instruction-related services					
Instructional supervision and administration	1,300,794	-	-	-	1,300,794
Instructional library, media, and technology	649,311	-	-	-	649,311
School site administration	5,148,748	-	-	125,789	5,274,537
Pupil services					
Home-to-school transportation	3,060,055	-	-	-	3,060,055
Food services	45	-	-	2,921,718	2,921,763
All other pupil services	2,905,987	-	-	78,333	2,984,320
General administration					
Centralized data processing	1,400,373	-	-	-	1,400,373
All other general administration	2,924,286	-	-	130,000	3,054,286
Plant services	7,162,250	-	15,263	719,912	7,897,425
Facilities acquisition and maintenance	24,523	12,300,146	5,046,430	21,227	17,392,326
Transfers to other agencies	182,216	-	-	996,979	1,179,195
Debt service					
Principal	-	-	-	615,000	615,000
Interest and other	-	445,950	-	389,007	834,957
<b>Total Expenditures</b>	<b>65,225,153</b>	<b>12,746,096</b>	<b>5,061,693</b>	<b>6,924,513</b>	<b>89,957,455</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>4,740,868</b>	<b>(12,640,864)</b>	<b>(4,736,759)</b>	<b>(762,467)</b>	<b>(13,399,222)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	4,937,327	-	4,937,327
Other sources	-	15,236,325	-	576,855	15,813,180
Transfers out	(4,937,327)	-	-	-	(4,937,327)
<b>Net Financing Sources (Uses)</b>	<b>(4,937,327)</b>	<b>15,236,325</b>	<b>4,937,327</b>	<b>576,855</b>	<b>15,813,180</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(196,459)</b>	<b>2,595,461</b>	<b>200,568</b>	<b>(185,612)</b>	<b>2,413,958</b>
<b>Fund Balance - Beginning</b>	<b>20,870,745</b>	<b>1,205</b>	<b>16,802,745</b>	<b>5,904,813</b>	<b>43,579,508</b>
<b>Fund Balance - Ending</b>	<b>\$ 20,674,286</b>	<b>\$ 2,596,666</b>	<b>\$ 17,003,313</b>	<b>\$ 5,719,201</b>	<b>\$ 45,993,466</b>

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

**BARSTOW 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**

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**Net Change in Fund Balances - Governmental Funds** \$ 2,413,958

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

**Capital outlay:**

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

Expenditures for capital outlay:	\$	17,596,249	
Depreciation expense:		(1,042,288)	16,553,961

**Debt service:**

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

615,000

**Debt proceeds:**

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

(16,129,317)

**Deferred amounts on refunding:**

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

(44,291)

**Unmatured interest on long-term debt:**

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

(182,570)

**Compensated absences:**

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

(39,663)

**Pensions:**

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

(1,812,792)

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,374,286</b>
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The accompanying notes are an integral part of these financial statements.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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	<b>Agency Fund</b> <b>Student Body</b> <b>Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 79,467
<b>Total Assets</b>	<b>\$ 79,467</b>
<b>LIABILITIES</b>	
Due to student groups	\$ 79,467
<b>Total Liabilities</b>	<b>\$ 79,467</b>

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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

B. Basis of Presentation (*continued*)

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

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

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

**Adult Education Fund:** This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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

B. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Special Revenue Funds (*continued*)**

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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

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

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



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

B. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

Fiduciary Funds

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

C. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

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

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting – Measurement Focus (continued)

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting – Measurement Focus (continued)

**Expenses/Expenditures**

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

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventories**

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

**Capital Assets**

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

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

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements	5 to 50 years
Equipment	2 to 15 years

**Interfund Balances**

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

**Compensated Absences**

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

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

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

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

**Deferred Outflows/Deferred Inflows of Resources**

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

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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

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

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

**Pensions**

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

**Fund Balance**

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

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

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

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

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2018

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

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

Fund Balance (*continued*)

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

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

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

E. Interfund Activity

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

F. 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.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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

**G. Budgetary Data**

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

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

**H. Property Tax**

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

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New Accounting Pronouncements

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

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

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Investment in county treasury	\$ 56,050,673	\$ -
Cash on hand and in banks	-	79,467
Cash in revolving fund	55,000	-
<b>Total cash and investments</b>	<b>\$ 56,105,673</b>	<b>\$ 79,467</b>

**B. Policies and Practices**

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

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Bernardino County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

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

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

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$55,789,117 and an amortized book value of \$56,050,673. The average weighted maturity for this pool is 353 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were rated AAA/V1.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

**G. Fair Value**

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

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

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

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

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

The District's fair value measurements at June 30, 2018 were as follows:

	<u><b>Uncategorized</b></u>
Investment in county treasury	\$ 55,789,117
<b>Total fair market value of investments</b>	<u><b>\$ 55,789,117</b></u>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal Government					
Categorical aid	\$ 1,568,400	\$ -	\$ -	\$ 295,505	\$ 1,863,905
State Government					
Categorical aid	112,187	-	-	35,318	147,505
Lottery	255,168	-	-	-	255,168
Local Government					
Other local sources	169,304	53,477	66,884	41,365	331,030
<b>Total</b>	<b>\$ 2,105,059</b>	<b>\$ 53,477</b>	<b>\$ 66,884</b>	<b>\$ 372,188</b>	<b>\$ 2,597,608</b>

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance July 01, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,083,792	\$ -	\$ -	\$ 3,083,792
Construction in progress	1,460,201	17,359,052	-	18,819,253
Total Capital Assets not Being Depreciated	4,543,993	17,359,052	-	21,903,045
Capital assets being depreciated				
Land improvements	6,955,256	24,523	-	6,979,779
Buildings & improvements	43,073,783	-	-	43,073,783
Furniture & equipment	6,571,183	212,674	-	6,783,857
Total Capital Assets Being Depreciated	56,600,222	237,197	-	56,837,419
Less Accumulated Depreciation				
Land improvements	4,380,859	251,275	-	4,632,134
Buildings & improvements	22,450,205	744,065	-	23,194,270
Furniture & equipment	6,405,724	46,948	-	6,452,672
Total Accumulated Depreciation	33,236,788	1,042,288	-	34,279,076
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 27,907,427</b>	<b>\$ 16,553,961</b>	<b>\$ -</b>	<b>\$ 44,461,388</b>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 5 – INTERFUND TRANSACTIONS**

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

		Due From Other Funds		
		Special Reserve Fund for Capital Outlay		
	Due To Other Funds	General Fund	Projects	Total
General Fund		\$ -	\$ 2,945,560	\$ 2,979,874
Building Fund		-	171,250	171,250
Special Reserve Fund for Capital Outlay Projects		9,514	-	9,514
Non-Major Governmental Funds		294,999	-	294,999
<b>Total Due From Other Funds</b>		<b>\$ 304,513</b>	<b>\$ 3,116,810</b>	<b>\$ 3,455,680</b>

The General Fund owed the Special Reserve Fund for Capital Outlay Projects for California Clean Energy Project money.	\$ 2,945,560
The General Fund owed the Non-Major Cafeteria Fund for catering and operations.	34,314
The Building Fund owed the Special Reserve Fund for Capital Outlay Projects for project expenditures.	171,250
The Special Reserve Fund for Capital Outlay Projects owed the General Fund for project expenditures.	9,514
The Non-Major Adult Education Fund owed the General Fund for payroll taxes and trash service.	10,587
The Non-Major Cafeteria Education Fund owed the General Fund for payroll taxes, printing charges, indirect costs and stores.	284,412
The Non-Major Adult Education Fund owed the Non-Major Cafeteria Fund for catering.	43
<b>Total</b>	<b>\$ 3,455,680</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 458,288	\$ -	\$ -	\$ 12,830	\$ -	\$ 471,118
Construction	-	8,664,430	178,642	-	-	8,843,072
Vendors payable	3,026,787	-	-	585,393	-	3,612,180
Unmatured interest	-	-	-	-	281,446	281,446
<b>Total</b>	<b>\$ 3,485,075</b>	<b>\$ 8,664,430</b>	<b>\$ 178,642</b>	<b>\$ 598,223</b>	<b>\$ 281,446</b>	<b>\$ 13,207,816</b>

**NOTE 7 – UNEARNED REVENUE**

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

	General Fund
Federal sources	\$ 144,296
<b>Total</b>	<b>\$ 144,296</b>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

**NOTE 8 – LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 12,173,141	\$ 15,316,137	\$ 615,000	\$ 26,874,278	\$ 645,000
Unamortized premium	-	813,180	-	813,180	27,106
Total general obligation bonds	12,173,141	16,129,317	615,000	27,687,458	672,106
Compensated absences	790,459	39,663	-	830,122	-
Net pension liability	47,997,994	7,329,446	-	55,327,440	-
<b>Total</b>	<b>\$ 60,961,594</b>	<b>\$ 23,498,426</b>	<b>\$ 615,000</b>	<b>\$ 83,845,020</b>	<b>\$ 672,106</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences and pension contributions are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. General Obligation Bonds**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
Election 2001, Series B	July 14, 2004	August 1, 2038	3.00% - 8.00%	5,961,853	\$ 4,578,141	\$ 316,137	\$ -	\$ 4,894,278
2011 Refunding	December 15, 2011	August 1, 2026	3.70%	5,275,000	4,400,000	-	400,000	4,000,000
2013 Refunding	May 17, 2013	August 1, 2026	2.50%	3,585,000	3,195,000	-	215,000	2,980,000
Election 2016, Series A	October 18, 2017	August 1, 2047	3.375% - 5.00%	15,000,000	-	15,000,000	-	15,000,000
					<b>\$ 12,173,141</b>	<b>\$ 15,316,137</b>	<b>\$ 615,000</b>	<b>\$ 26,874,278</b>

**Election 2001 General Obligation Bonds**

In an election held on November 6, 2001, the voters authorized the District to issue \$14,000,000 of principal amount of general obligation bonds. These bonds were issued for the purpose of making necessary repairs, upgrades and to increase safety/security at Barstow High School, including plumbing, heating, air conditioning, electrical systems, construct additional classrooms, restrooms, a new physical education building, remove deteriorating buildings and renovate Garver Memorial Auditorium as a multipurpose center. There is one remaining issuance under this election:

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**Election 2001 General Obligation Bonds, (continued)**

- Series B, which was issued on July 14, 2005, for \$5,961,853 with interest rates ranging from 3.00-8.00 percent. The original issuance consisted of \$4,020,000 in current interest serial bonds and \$1,941,853 (accreting to \$12,450,000) in capital appreciation serial bonds. At June 30, 2018, the principal outstanding is \$4,894,278.

**2011 Refunding General Obligation Bond**

On December 15, 2011, the District issued Series 2011 General Obligation Refunding Bonds for an aggregate amount of \$5,275,000, and consists of current interest bonds bearing fixed interest rate of 3.7% with a maturity date of August 1, 2026. The net proceeds of \$5,138,569 (after issuance costs of \$136,431) were used to refund a portion of the District's Election 2001, Series 2002A general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$228,002 remain to be amortized. This advanced refunding was undertaken to reduce total debt service payments and resulted in an economic gain of \$270,333. As of June 30, 2018, the principal balance on the defeased debt was paid in full and the principal balance on the refunding bonds amounted to \$4,000,000.

**2013 Refunding General Obligation Bond**

On May 17, 2013, the District issued Series 2013 General Obligation Refunding Bonds for an aggregate amount of \$3,585,000, and consists of current interest bonds bearing fixed interest rate of 2.5% with a maturity date of August 1, 2026. The net proceeds of \$3,442,491 (after issuance costs of \$142,509) were used to refund a portion of the District's Election 2001, Series B general obligation bonds and to pay certain costs of issuance associated with the Refunding Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$151,661 remain to be amortized. This advanced refunding was undertaken to reduce total debt service payments and results in an economic gain of \$338,998. As of June 30, 2018, the principal balance on the defeased debt was paid in full and the principal balance on the refunding bonds amounted to \$2,980,000.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 8 – LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**Election 2016 General Obligation Bonds**

In an election held on November 8, 2016, the voters authorized the District to issue \$39,000,000 of principal amount of general obligation bonds. These bonds were issued for the repaid, upgrading, acquisition, construction and equipping of certain District property and facilities. There has been one issuance under this election:

- Series A, which was issued on September 27, 2017, for \$15,000,000 with interest rates ranging from 3.375-5.00 percent. The original issuance consisted of \$15,000,000 in current interest serial bonds. At June 30, 2018, the principal amount outstanding is \$15,000,000.

**B. Debt Service Requirements to Maturity – Bonds**

The bonds mature through 2048 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 645,000	\$ 733,415	\$ 1,378,415
2020	775,000	771,934	1,546,934
2021	810,000	746,051	1,556,051
2022	735,000	721,889	1,456,889
2023	770,000	697,947	1,467,947
2024 - 2028	3,974,000	3,923,134	7,897,134
2029 - 2033	2,005,975	6,988,506	8,994,481
2034 - 2038	3,380,366	6,653,990	10,034,356
2039 - 2043	4,421,512	2,418,411	6,839,923
2044 - 2048	6,405,000	588,034	6,993,034
Accretion	2,952,425	(2,952,425)	-
Total	\$ 26,874,278	\$ 21,290,886	\$ 48,165,164

**C. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$830,122. This amount is included as part of long-term liabilities in the government-wide financial statements.

**D. Net Pension Liability**

The District's beginning net pension liability was \$47,997,994 and increased by \$7,329,446 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$55,327,440. See Note 11 for additional information regarding the net pension liability.



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ 5,000	\$ 55,000
Stores inventory	272,562	-	-	61,469	334,031
Prepaid expenditures	21,446	-	-	5,374	26,820
Total non-spendable	344,008	-	-	71,843	415,851
Restricted					
Educational programs	1,408,680	-	-	376,710	1,785,390
Capital projects	-	2,596,666	17,003,313	127,289	19,727,268
Debt service	-	-	-	1,189,620	1,189,620
All others	-	-	-	1,660,008	1,660,008
Total restricted	1,408,680	2,596,666	17,003,313	3,353,627	24,362,286
Committed					
Other commitments	-	-	-	2,512,654	2,512,654
Total committed	-	-	-	2,512,654	2,512,654
Assigned					
Other assignments	6,366,942	-	-	-	6,366,942
Total assigned	6,366,942	-	-	-	6,366,942
Unassigned					
Remaining unassigned	12,554,656	-	-	(218,923)	12,335,733
Total unassigned	12,554,656	-	-	(218,923)	12,335,733
<b>Total</b>	<b>\$ 20,674,286</b>	<b>\$ 2,596,666</b>	<b>\$ 17,003,313</b>	<b>\$ 5,719,201</b>	<b>\$ 45,993,466</b>

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

**NOTE 10 – RISK MANAGEMENT**

The District's risk management activities are recorded in the General Fund. The District participates in the Southern California Schools Risk Management (SCSRM) workers' compensation program and purchases liability insurance through the JPA. The District participates in Schools' Excess Liability Fund (SELF) public entity risk pool for the purchase of excess liability coverage and Self-Insurance Schools of California (SISC III) for medical, dental, and vision health care benefits.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS**

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

	<b>Net pension liability</b>	<b>Deferred outflows related to pensions</b>	<b>Deferred inflows related to pensions</b>	<b>Pension expense</b>
STRS Pension	\$ 39,308,642	\$ 12,921,887	\$ 1,753,442	\$ 4,446,402
PERS Pension	16,018,798	5,102,187	338,546	2,374,400
<b>Total</b>	<b>\$ 55,327,440</b>	<b>\$ 18,024,074</b>	<b>\$ 2,091,988</b>	<b>\$ 6,820,802</b>

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$3,515,222 for the year ended June 30, 2018.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,891,111 to CalSTRS.

**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:

District's proportionate share of the net pension liability	\$	39,308,642
State's proportionate share of the net pension liability associated with the District		23,254,849
Total	\$	<u>62,563,491</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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. At June 30, 2017, the District's proportion was 0.043 percent, which was a decrease of 0.00007 percent from its proportion measured as of June 30, 2016.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$4,446,402. In addition, the District recognized pension expense and revenue of \$668,376 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,046,899
Differences between expected and actual experience	145,367	685,606
Changes in assumptions	7,282,385	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,978,913	20,937
District contributions subsequent to the measurement date	3,515,222	-
	<u>\$ 12,921,887</u>	<u>\$ 1,753,442</u>

The \$3,515,222 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 1,731,284	\$ 1,027,095
2020	1,731,284	(502,735)
2021	1,731,284	61,965
2022	1,731,281	1,087,665
2023	1,243,575	75,960
2024	1,237,957	3,492
	<u>\$ 9,406,665</u>	<u>\$ 1,753,442</u>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
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%
	<hr/> 100% <hr/>	

\*20-year geometric average

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 57,717,565	\$ 39,308,642	\$ 24,368,552

**Pension Plan Fiduciary Net Position**

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

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

**Benefits Provided**

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

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were \$1,492,788 for the year ended June 30, 2018.

**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 of \$16,018,798 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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. At June 30, 2017, the District's proportion was 0.067 percent, which was a decrease of 0.00158 percent from its proportion measured as of June 30, 2016.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

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

For the year ended June 30, 2018, the District recognized pension expense of \$2,374,400. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 554,141	\$ -
Differences between expected and actual experience	573,888	188,602
Changes in assumptions	2,339,797	-
Changes in proportion and differences between District contributions and proportionate share of contributions	141,573	149,944
District contributions subsequent to the measurement date	1,492,788	-
	<u>\$ 5,102,187</u>	<u>\$ 338,546</u>

The \$1,492,788 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 1,147,225	\$ 313,680
2020	1,619,285	24,866
2021	1,146,336	-
2022	(303,447)	-
	<u>\$ 3,609,399</u>	<u>\$ 338,546</u>



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

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

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>	<b>Real Return Years 11+**</b>
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	<u>100.0%</u>		

\*An expected inflation of 2.50% used for this period.

\*\*An expected inflation of 3.00% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability	\$ 23,568,786	\$ 16,018,798	\$ 9,755,452

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Pension Plan Fiduciary Net Position**

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

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

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

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2018**

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**NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES**

**A. Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was \$335,371.

**B. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 1. At June 30, 2018, total deferred outflows related to pensions was \$18,024,074 and total deferred inflows related to pensions was \$2,091,988.

**NOTE 15 – SUBSEQUENT EVENTS**

**General Obligation Bonds**

On October 9, 2018, the District issued \$12,995,505 of General Obligation Election 2016 Series B Bonds to finance the acquisition and improvement of various capital facilities of the District.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**BARSTOW UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
<b>REVENUES</b>				
LCFF sources	\$ 57,084,469	\$ 57,045,042	\$ 56,870,386	\$ (174,656)
Federal sources	4,196,895	5,995,309	5,202,799	(792,510)
Other state sources	4,414,501	5,531,567	6,152,554	620,987
Other local sources	1,234,935	1,374,453	1,661,785	287,332
<b>Total Revenues</b>	<b>66,930,800</b>	<b>69,946,371</b>	<b>69,887,524</b>	<b>(58,847)</b>
<b>EXPENDITURES</b>				
Certificated salaries	26,839,197	24,929,879	25,305,531	(375,652)
Classified salaries	10,555,470	9,836,553	10,499,928	(663,375)
Employee benefits	16,539,902	15,515,971	14,873,676	642,295
Books and supplies	4,791,844	3,695,771	3,463,894	231,877
Services and other operating expenditures	10,801,121	12,893,055	10,994,567	1,898,488
Capital outlay	-	-	35,341	(35,341)
Other outgo				
Excluding transfers of indirect costs	178,106	200,000	182,216	17,784
Transfers of indirect costs	(165,000)	(139,000)	(130,000)	(9,000)
<b>Total Expenditures</b>	<b>69,540,640</b>	<b>66,932,229</b>	<b>65,225,153</b>	<b>1,707,076</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(2,609,840)</b>	<b>3,014,142</b>	<b>4,662,371</b>	<b>1,648,229</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	2,000,000	(4,937,327)	(6,937,327)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>2,000,000</b>	<b>(4,937,327)</b>	<b>(6,937,327)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,609,840)</b>	<b>5,014,142</b>	<b>(274,956)</b>	<b>(5,289,098)</b>
<b>Fund Balance - Beginning</b>	<b>13,049,376</b>	<b>14,582,300</b>	<b>14,582,300</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,439,536</b>	<b>\$ 19,596,442</b>	<b>\$ 14,307,344</b>	<b>\$ (5,289,098)</b>

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

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**- CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.043%	0.043%	0.043%	0.038%
District's proportionate share of the net pension liability	\$ 39,308,642	\$ 34,433,110	\$ 28,641,906	\$ 22,120,061
State's proportionate share of the net pension liability associated with the District	23,254,849	19,605,041	15,148,370	13,357,047
Total	<u>\$ 62,563,491</u>	<u>\$ 54,038,151</u>	<u>\$ 43,790,276</u>	<u>\$ 35,477,108</u>
District's covered payroll	\$ 24,360,513	\$ 22,689,960	\$ 32,253,388	\$ 16,859,758
District's proportionate share of the net pension liability as a percentage of its covered payroll	161.4%	151.8%	88.8%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**- CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.067%	0.069%	0.069%	0.070%
District's proportionate share of the net pension liability	\$ 16,018,798	\$ 13,564,884	\$ 10,229,139	\$ 7,919,642
District's covered payroll	\$ 8,548,315	\$ 8,252,891	\$ 7,680,257	\$ 7,323,230
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.4%	164.4%	133.2%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,515,222	\$ 2,854,397	\$ 2,287,321	\$ 1,743,770
Contributions in relation to the contractually required contribution*	(3,515,222)	(2,854,397)	(2,287,321)	(1,743,770)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,360,513	\$ 22,689,960	\$ 21,317,064	\$ 32,253,388
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	5.41%

\*Amounts do not include on-behalf contributions

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,492,788	\$ 1,187,190	\$ 977,720	\$ 904,043
Contributions in relation to the contractually required contribution	(1,492,788)	(1,187,190)	(977,720)	(904,043)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,548,315	\$ 8,252,891	\$ 7,680,257	\$ 7,323,230
Contributions as a percentage of covered payroll	17.46%	14.39%	12.73%	12.34%

See accompanying note to required supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

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

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

**Changes in Benefit Terms**

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

**Changes in Assumptions**

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.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Schedule of District Contributions**

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

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 24,929,879	\$ 25,305,531	\$ 375,652
Classified salaries	\$ 9,836,553	\$ 10,499,928	\$ 663,375
Capital outlay	\$ -	\$ 35,341	\$ 35,341
Other outgo			
Transfers of indirect costs	\$ (139,000)	\$ (130,000)	\$ 9,000

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# **SUPPLEMENTARY INFORMATION**

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**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 3,529,322
Title II, Part A, Teacher Quality	84.367	14341	362,354
Title III			
Title III, English Learner Student Program	84.365	14346	60,987
Title III, Immigrant Education Program	84.365	15146	4,686
Subtotal Title III			<u>65,673</u>
Title VIII, Impact Aid	84.041	10015	60,512
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,056,697
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	1,381
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	4,237
Subtotal Special Education Cluster			<u>1,062,315</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	<u>18,918</u>
<b>Total U. S. Department of Education</b>			<u><u>5,099,094</u></u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	459,943
National School Lunch Program	10.555	13391	1,902,633
Meal Supplements	10.555	*	18,990
USDA Commodities	10.555	*	167,657
Summer Food Service Program for Children	10.559	13004	20,437
Subtotal Child Nutrition Cluster			<u>2,569,660</u>
<b>Total U. S. Department of Agriculture</b>			<u><u>2,569,660</u></u>
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	153,087
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>153,087</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 7,821,841</u></u>

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period Report 763B234D	Revised Second Period Report 72191A59	Revised Second Period Report *	Annual Report 8FAFAB8B	Revised Annual Report BFDF1D5	Revised Annual Report *
SCHOOL DISTRICT						
TK/K through Third						
Regular ADA	2,099.70	2,099.40	2,099.40	2,101.13	2,097.33	2,097.33
Extended Year Special Education	12.32	12.32	12.32	12.32	12.32	12.32
Community Day School	2.21	2.21	2.21	3.21	3.21	3.21
Total TK/K through Third	2,114.23	2,113.93	2,113.93	2,116.66	2,112.86	2,112.86
Fourth through Sixth						
Regular ADA	1,457.60	1,458.08	1,458.08	1,457.13	1,454.81	1,454.81
Extended Year Special Education	10.45	10.45	10.45	10.45	10.45	10.45
Special Education - Nonpublic Schools	0.98	0.98	0.98	0.87	0.87	0.87
Extended Year Special Education - Nonpublic Schools	-	-	-	0.02	0.02	0.02
Community Day School	2.92	2.92	2.92	3.66	3.64	3.64
Total Fourth through Sixth	1,471.95	1,472.43	1,472.43	1,472.13	1,469.79	1,469.79
Seventh through Eighth						
Regular ADA	823.39	825.91	825.91	814.19	817.26	817.26
Extended Year Special Education	1.55	1.55	1.55	1.55	1.55	1.55
Special Education - Nonpublic Schools	0.25	0.25	0.25	0.48	0.48	0.48
Extended Year Special Education - Nonpublic Schools	0.01	0.01	0.01	0.03	0.03	0.03
Total Seventh through Eighth	825.20	827.72	827.72	816.25	819.32	819.32
Ninth through Twelfth						
Regular ADA	1,398.16	1,397.92	1,397.68	1,382.66	1,382.64	1,382.40
Extended Year Special Education	1.31	1.31	1.31	1.31	1.31	1.31
Special Education - Nonpublic Schools	2.28	2.28	2.28	2.27	2.27	2.27
Extended Year Special Education - Nonpublic Schools	0.32	0.32	0.32	0.71	0.71	0.71
Total Ninth through Twelfth	1,402.07	1,401.83	1,401.59	1,386.95	1,386.93	1,386.69
TOTAL SCHOOL DISTRICT	5,813.45	5,815.91	5,815.67	5,791.99	5,788.90	5,788.66

\*District had not yet prepared the revisions to the Second Period Report or Annual Report identified in Audit Finding #2018-002.

**BARSTOW UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2017-18 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	56,895	180	Complied
Grade 1	50,400	55,095	180	Complied
Grade 2	50,400	55,095	180	Complied
Grade 3	50,400	55,095	180	Complied
Grade 4	54,000	55,995	180	Complied
Grade 5	54,000	55,995	180	Complied
Grade 6	54,000	56,895	180	Complied
Grade 7	54,000	64,560	180	Complied
Grade 8	54,000	64,560	180	Complied
Grade 9	64,800	67,450	180	Complied
Grade 10	64,800	67,450	180	Complied
Grade 11	64,800	67,450	180	Complied
Grade 12	64,800	67,450	180	Complied



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 72,312,530	\$ 69,887,524	\$ 66,222,449	\$ 63,845,004
Expenditures And Other Financing Uses	73,050,908	70,162,480	64,523,355	59,273,220
Net change in Fund Balance	\$ (738,378)	\$ (274,956)	\$ 1,699,094	\$ 4,571,784
Ending Fund Balance	\$ 10,268,965	\$ 14,307,344	\$ 14,582,300	\$ 12,883,205
Available Reserves*	\$ 8,760,680	\$ 12,554,656	\$ 12,780,833	\$ 10,967,401
Available Reserves As A				
Percentage Of Outgo	11.99%	17.89%	19.81%	18.50%
Long-term Debt	\$ 83,172,914	\$ 83,845,020	\$ 60,346,594	\$ 52,026,500
Average Daily				
Attendance At P-2	5,931	5,813	5,788	5,680

The General Fund balance has increased by \$1,424,139 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$738,378. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by \$31,818,520 over the past two years.

Average daily attendance has increased by 133 ADA over the past two years. A further increase of 118 in ADA is anticipated during the 2018-19 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund, Special Reserve Fund for Postemployment Benefits, and the Special Reserve Fund for Other Than Capital Outlay Projects.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	General Fund	Adult Education Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2018, annual financial and budget report fund balance	\$ 14,307,343	\$ 420,665	\$ 5,468,181	\$ 898,762
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Accounts Payable	-	(218,923)	-	-
Fund balance transfer (GASB 54)	6,366,943	-	(5,468,181)	(898,762)
Net adjustments and reclassifications	6,366,943	(218,923)	(5,468,181)	(898,762)
June 30, 2018, audited financial statement fund balance	\$ 20,674,286	\$ 201,742	\$ -	\$ -

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 509,068	\$ 163	\$ 1,814,826	\$ 2,498,488	\$ 126,913	\$ 1,189,620	\$ 6,139,078
Accounts receivable	15,516	-	346,308	9,988	376	-	372,188
Due from other funds	-	-	34,357	-	-	-	34,357
Stores inventory	-	-	61,469	-	-	-	61,469
Prepaid expenditures	-	-	5,374	-	-	-	5,374
<b>Total Assets</b>	<b>\$ 524,584</b>	<b>\$ 163</b>	<b>\$ 2,262,334</b>	<b>\$ 2,508,476</b>	<b>\$ 127,289</b>	<b>\$ 1,189,620</b>	<b>\$ 6,612,466</b>
<b>LIABILITIES</b>							
Accrued liabilities	\$ 312,212	\$ -	\$ 246,071	\$ 39,940	\$ -	\$ -	\$ 598,223
Due to other funds	10,630	-	284,412	-	-	-	295,042
<b>Total Liabilities</b>	<b>322,842</b>	<b>-</b>	<b>530,483</b>	<b>39,940</b>	<b>-</b>	<b>-</b>	<b>893,265</b>
<b>FUND BALANCES</b>							
Non-spendable	-	-	71,843	-	-	-	71,843
Restricted	376,547	163	1,660,008	-	127,289	1,189,620	3,353,627
Committed	44,118	-	-	2,468,536	-	-	2,512,654
Unassigned	(218,923)	-	-	-	-	-	(218,923)
<b>Total Fund Balances</b>	<b>201,742</b>	<b>163</b>	<b>1,731,851</b>	<b>2,468,536</b>	<b>127,289</b>	<b>1,189,620</b>	<b>5,719,201</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 524,584</b>	<b>\$ 163</b>	<b>\$ 2,262,334</b>	<b>\$ 2,508,476</b>	<b>\$ 127,289</b>	<b>\$ 1,189,620</b>	<b>\$ 6,612,466</b>

See accompanying note to supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>							
LCFF sources	\$ -	\$ -	\$ -	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000
Federal sources	-	-	2,569,660	-	-	-	2,569,660
Other state sources	871,554	-	186,021	-	-	8,718	1,066,293
Other local sources	14,119	2	405,164	26,663	72,147	607,998	1,126,093
<b>Total Revenues</b>	<b>885,673</b>	<b>2</b>	<b>3,160,845</b>	<b>1,426,663</b>	<b>72,147</b>	<b>616,716</b>	<b>6,162,046</b>
<b>EXPENDITURES</b>							
Current							
Instruction	926,548	-	-	-	-	-	926,548
Instruction-related services							
School site administration	125,789	-	-	-	-	-	125,789
Pupil services							
Food services	-	-	2,921,718	-	-	-	2,921,718
All other pupil services	78,333	-	-	-	-	-	78,333
General administration							
All other general administration	-	-	130,000	-	-	-	130,000
Plant services	38,965	-	23,873	649,574	7,500	-	719,912
Facilities acquisition and maintenance	21,227	-	-	-	-	-	21,227
Transfers to other agencies	996,979	-	-	-	-	-	996,979
Debt service							
Principal	-	-	-	-	-	615,000	615,000
Interest and other	-	-	-	-	-	389,007	389,007
<b>Total Expenditures</b>	<b>2,187,841</b>	<b>-</b>	<b>3,075,591</b>	<b>649,574</b>	<b>7,500</b>	<b>1,004,007</b>	<b>6,924,513</b>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over Expenditures</b>	<b>(1,302,168)</b>	<b>2</b>	<b>85,254</b>	<b>777,089</b>	<b>64,647</b>	<b>(387,291)</b>	<b>(762,467)</b>
<b>Other Financing Sources (Uses)</b>							
Other sources	-	-	-	-	-	576,855	576,855
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>576,855</b>	<b>576,855</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,302,168)</b>	<b>2</b>	<b>85,254</b>	<b>777,089</b>	<b>64,647</b>	<b>189,564</b>	<b>(185,612)</b>
<b>Fund Balance - Beginning</b>	<b>1,503,910</b>	<b>161</b>	<b>1,646,597</b>	<b>1,691,447</b>	<b>62,642</b>	<b>1,000,056</b>	<b>5,904,813</b>
<b>Fund Balance - Ending</b>	<b>\$ 201,742</b>	<b>\$ 163</b>	<b>\$ 1,731,851</b>	<b>\$ 2,468,536</b>	<b>\$ 127,289</b>	<b>\$ 1,189,620</b>	<b>\$ 5,719,201</b>

See accompanying note to supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
FOR THE YEAR ENDED JUNE 30, 2018**

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The Barstow Unified School District established in 1966 and consists of an area comprising approximately 1,740 square miles. The District operates six elementary schools, one junior high school, one STEM academy, one high school, one continuation high school, and an independent study program. There were no boundary changes during the year.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Julie Clemmer	President	2020
Barbara Rose	Vice President	2020
Ben Rosenberg	Clerk	2018
Kris Okamuro	Member	2020
Ray Perea	Member	2018

**DISTRICT ADMINISTRATORS**

Jeff Malan  
*Superintendent*

Reyna Garcia  
*Chief Business Official/Business Manager*

Scott Godfrey  
*Assistant Superintendent, Educational Services*

James Davis  
*Assistant Superintendent, Personnel Services*

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 7,772,459
Medi-Cal Billing Option	93.778	<u>49,382</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 7,821,841</u>

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

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

**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.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION, continued**  
**JUNE 30, 2018**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Combining Statements – Non-Major Funds**

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

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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*Licensed by the California  
State Board of Accountancy*

Independent Auditors' Report

Governing Board  
Barstow Unified School District  
Barstow, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Barstow Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Barstow Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Barstow 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 Barstow Unified School District. Accordingly, we do not express an opinion on the effectiveness of Barstow 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Barstow 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*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 14, 2018

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

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Independent Auditors' Report

Governing Board  
Barstow Unified School District  
Barstow, California

**Report on Compliance for Each Major Federal Program**

We have audited Barstow Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Barstow Unified School District's major federal programs for the year ended June 30, 2018. Barstow 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 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 Barstow 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 Barstow Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Barstow Unified School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Barstow 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 Barstow 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 Barstow 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 Barstow Unified School District's internal control over compliance.

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

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

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



San Diego, California  
December 14, 2018

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board  
Barstow Unified School District  
Barstow, California

### **Report on State Compliance**

We have audited Barstow Unified School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Barstow Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Barstow Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Barstow 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 with the requirements referred to above. However, our audit does not provide a legal determination of Barstow Unified School District's compliance with those requirements.

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### ***Opinion on State Compliance***

In our opinion, Barstow Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as findings #2018-001 and #2018-002. Our opinion on state compliance is not modified with respect to these matters.

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

### ***Procedures Performed***

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

*Christy White Associates*

San Diego, California  
December 14, 2018

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SUMMARY OF AUDITORS' RESULTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.533, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

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

**BARSTOW UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

*There were no financial statement findings for the year ended June 30, 2018.*

BARSTOW UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2018.*

**BARSTOW UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
California School Facilities Programs  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

**FINDING #2018-001: ATTENDANCE REPORTING (10000)**

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

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

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

Second Period Attendance Report:

- Regular ADA:
- Grades TK/K-3: Total overstatement of 2.21 ADA
- Grades 7-8: Total understatement of 2.13 ADA

Annual Attendance Report:

- Regular ADA:
- Grades TK/K-3: Total overstatement of 3.81 ADA
- Grades 4-6: Total overstatement of 2.32 ADA
- Grades 7-8 Total understatement of 3.22 ADA

**Cause:** Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period and Annual Attendance Report are accurate. Clerical error when creating formulas in excel ADA summary.

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**STATE AWARD FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**FINDING #2018-001: ATTENDANCE REPORTING (10000) (continued)**

**Questioned Costs:** \$1,537 based on P2 revisions calculated. The District is not funded on Annual Attendance.

	Second Period Report ADA (Over)/Under Statement	Annual Report ADA (Over)/Under Statement	Adjusted Base Grant per ADA	Questioned Cost
<b>Grade Span</b>				
Kindergarten through third	(2.21)	(3.81)	\$ 7,941	\$ (17,550)
Fourth through sixth	-	(2.32)	\$ 7,301	\$ -
Seventh through eighth	2.13	3.22	\$ 7,518	\$ 16,013
<b>Total</b>	<u>(0.08)</u>	<u>(2.91)</u>		<u>\$ (1,537)</u>

**Recommendations:** We recommend review of excel formulas and proper procedures be established to ensure that the data within the attendance system and data reported on the Second Attendance Report and Annual Attendance Report are accurate. We also recommend that the District submit revised P2 and Annual Attendance Reports.

**Corrective Action Plan:** The District will implement procedures to address the finding with independent study for the 2017-18 school year to ensure accuracy in data reported and the attendance data system. The District will submit revisions to P2 and Annual Attendance Reports for 2017-18.

**FINDING #2018-002: INDEPENDENT STUDY (10000)**

**Criteria:** For attendance generated through independence study, all independent study written agreements must contain the signature of the pupil, pupil's parents, and certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)).

**Condition:** Two students had issues with contracts regarding independent study, therefore the total average daily attendance (ADA) credited to both students, 0.24 (34 apportionment days), is unallowable.

**Cause:** Clerical oversight.

**Perspective/Context:** Auditor found discrepancies in attendance in two out of the three schools tested.

**Effect:** Loss of apportionment funding for days of attendance related to incomplete and deficient independent study contracts.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**STATE AWARD FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**FINDING #2018-002: INDEPENDENT STUDY (10000) (continued)**

**Questioned Costs:** 34 apportionment days (0.24 ADA) were overstated as tested, representing a questioned cost of \$2,145.

	Second Period Report ADA (Over)/Under Statement	Annual Report ADA (Over)/Under Statement	Adjusted Base Grant per ADA	Questioned Cost
<b>Grade Span</b>				
Ninth through twelfth	0.24	0.24	\$ 8,939	\$ 2,145
<b>Total</b>	0.24	0.24		\$ 2,145

**Recommendation:** We recommend that the District implement adequate procedures to ensure that independent study contracts are being filled with all the necessary information required by the Ed Code and adequate oversight over District attendance ratios are being monitored.

**Corrective Action Plan:** The District will implement District Wide procedures to address finding with independent study for the 2017-18 school year by providing audit guidelines to every school site principal and supporting personnel and review procedures to ensure that all contracts are complete and signed by all stakeholders prior to the student beginning any independent study program. Under this procedure, each contract will be reviewed by administration and personnel to ensure all contracts are completed properly.

BARSTOW UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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*There were no audit findings or questioned costs for the year ended June 30, 2017.*