

# BARSTOW UNIFIED SCHOOL DISTRICT

## AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco  
Bay Area

christywhite  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**BARSTOW UNIFIED SCHOOL DISTRICT**  
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**FOR THE YEAR ENDED JUNE 30, 2016**

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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, 2016, 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.

Christy White, CPA

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

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, 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 12, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Barstow Unified School District's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
December 12, 2016

# BARSTOW UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

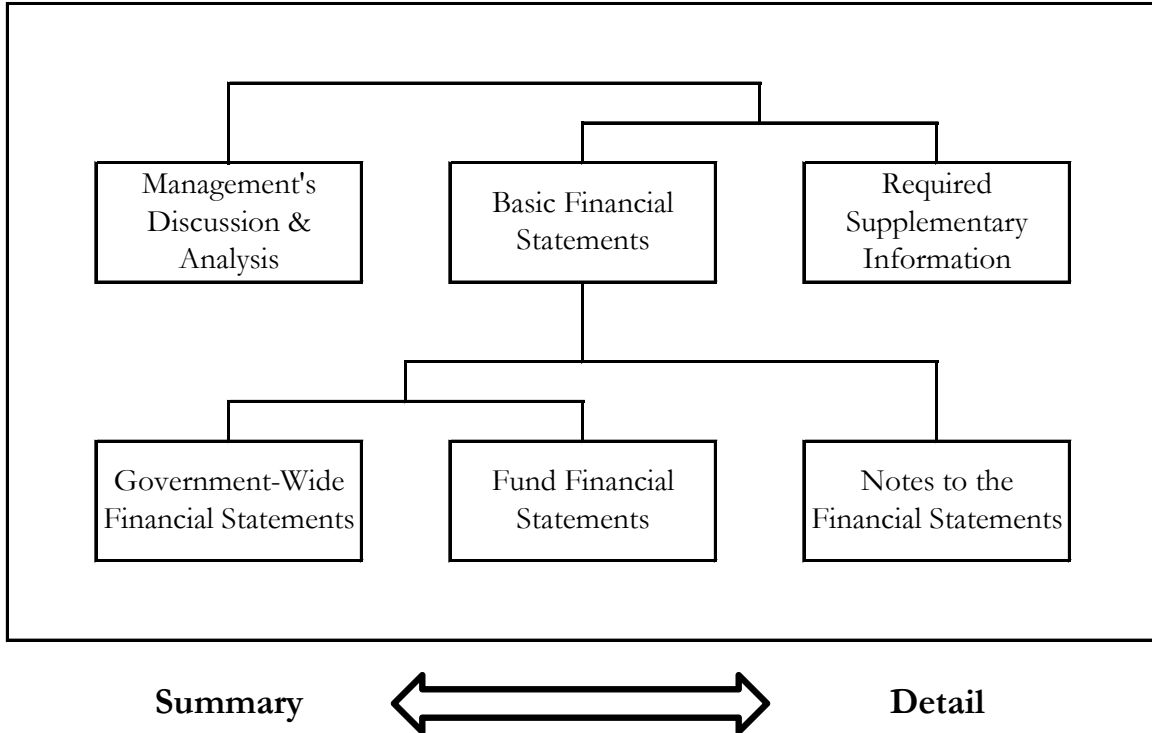
Our discussion and analysis of Barstow Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's net position was \$8,947,088 at June 30, 2016. This was an increase of \$12,089,542 from the prior year.
- Overall revenues were \$72,023,341 which exceeded expenses of \$59,933,799.

## 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, 2016**

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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. Revenue limit 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, 2016**

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

**Net Position**

The District's net position was \$8,947,088 at June 30, 2016, as reflected in the table below. Of this amount, (\$22,602,521) 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>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 33,205,599	\$ 20,434,400	\$ 12,771,199
Capital assets	27,505,620	28,587,846	(1,082,226)
<b>Total Assets</b>	<b>60,711,219</b>	<b>49,022,246</b>	<b>11,688,973</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,199,837</b>	<b>3,116,056</b>	<b>4,083,781</b>
<b>LIABILITIES</b>			
Current liabilities	3,125,793	3,687,367	(561,574)
Long-term liabilities	51,750,592	43,090,704	8,659,888
<b>Total Liabilities</b>	<b>54,876,385</b>	<b>46,778,071</b>	<b>8,098,314</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>4,087,583</b>	<b>8,502,685</b>	<b>(4,415,102)</b>
<b>NET POSITION</b>			
Net investment in capital assets	18,118,006	18,482,920	(364,914)
Restricted	13,431,603	6,893,730	6,537,873
Unrestricted	(22,602,521)	(28,519,104)	5,916,583
<b>Total Net Position</b>	<b>\$ 8,947,088</b>	<b>\$ (3,142,454)</b>	<b>\$ 12,089,542</b>

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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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 them slightly, so you can see our total revenues, expenses, and special items for the year.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 559,206	\$ 684,025	\$ (124,819)
Operating grants and contributions	13,375,325	8,178,869	5,196,456
General revenues			
Property taxes	5,533,422	4,886,800	646,622
Unrestricted federal and state aid	51,221,462	41,618,147	9,603,315
Other	1,333,926	4,099,914	(2,765,988)
<b>Total Revenues</b>	<b>72,023,341</b>	<b>59,467,755</b>	<b>12,555,586</b>
<b>EXPENSES</b>			
Instruction	34,834,316	30,850,284	3,984,032
Instruction-related services	6,075,047	5,269,382	805,665
Pupil services	7,223,379	7,356,891	(133,512)
General administration	3,516,502	3,846,935	(330,433)
Plant services	7,575,168	6,474,134	1,101,034
Debt service	506,323	589,274	(82,951)
Other Outgo	203,064	168,468	34,596
<b>Total Expenses</b>	<b>59,933,799</b>	<b>54,555,368</b>	<b>5,378,431</b>
<b>Change in net position</b>	<b>12,089,542</b>	<b>4,912,387</b>	<b>7,177,155</b>
<b>Net Position - Beginning*</b>	<b>(3,142,454)</b>	<b>(8,054,841)</b>	<b>4,912,387</b>
<b>Net Position - Ending</b>	<b>\$ 8,947,088</b>	<b>\$ (3,142,454)</b>	<b>\$ 12,089,542</b>

*\* Beginning Net Position was restated for the 2015 year only*

The cost of all our governmental activities this year was \$59,933,799 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$5,553,422 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, 2016**

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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>2016</b>	<b>2015</b>
Instruction	\$ 27,148,103	\$ 26,302,355
Instruction-related services	5,083,537	4,677,626
Pupil services	4,330,165	4,316,139
General administration	3,202,389	3,622,148
Plant services	7,237,126	6,441,402
Debt service	506,323	589,274
Transfers to other agencies	(1,508,375)	(256,470)
<b>Total Expenses</b>	<b>\$ 45,999,268</b>	<b>\$ 45,692,474</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 \$30,457,368, which is more than last year's ending fund balance of \$17,207,521. The District's General Fund had \$9,287,928 more in operating revenues than expenditures for the year ended June 30, 2016. The Special Reserve Fund for Capital Outlay Projects had \$2,769,021 more in operating revenues than expenditures for the year ended June 30, 2016.

**CURRENT YEAR BUDGET 2015-16**

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

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016 the District had invested \$27,505,620 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 3,083,792	\$ 3,083,792	\$ -
Land improvements	6,955,256	6,955,256	-
Buildings & improvements	43,073,783	43,073,783	-
Furniture & equipment	6,571,183	6,571,183	-
Accumulated depreciation	(32,178,394)	(31,096,168)	(1,082,226)
<b>Total Capital Assets</b>	<b>\$ 27,505,620</b>	<b>\$ 28,587,846</b>	<b>\$ (1,082,226)</b>

**Long-Term Liabilities**

At year-end, the District had \$51,750,592 in long-term liabilities, an increase of 20% 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>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 12,459,459	\$ 12,716,296	\$ (256,837)
Capital leases	-	15,078	(15,078)
Compensated absences	695,996	611,793	84,203
Net pension liability	38,871,045	30,039,703	8,831,342
Less: current portion of long-term debt	(275,908)	(292,166)	16,258
<b>Total Long-term Liabilities</b>	<b>\$ 51,750,592</b>	<b>\$ 43,090,704</b>	<b>\$ 8,659,888</b>

**BARSTOW UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2016-17 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact 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, 2016**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 29,902,839
Accounts receivable	2,855,683
Inventory	401,269
Prepaid expenses	3,622
Other current assets	42,186
Capital assets, not depreciated	3,083,792
Capital assets, net of accumulated depreciation	24,421,828
<b>Total Assets</b>	<b>60,711,219</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	6,775,884
Deferred amount on refunding	423,953
<b>Total Deferred Outflows of Resources</b>	<b>7,199,837</b>
<b>LIABILITIES</b>	
Accrued liabilities	2,849,885
Long-term liabilities, current portion	275,908
Long-term liabilities, non-current portion	51,750,592
<b>Total Liabilities</b>	<b>54,876,385</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	4,087,583
<b>Total Deferred Inflows of Resources</b>	<b>4,087,583</b>
<b>NET POSITION</b>	
Net investment in capital assets	18,118,006
Restricted:	
Capital projects	8,847,039
Debt service	807,665
Educational programs	2,478,303
All others	1,298,596
Unrestricted	(22,602,521)
<b>Total Net Position</b>	<b>\$ 8,947,088</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, 2016**

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	\$ 34,834,316	\$ 103,061	\$ 7,583,152	\$ (27,148,103)
Instruction-related services				
Instructional supervision and administration	1,031,639	-	402,889	(628,750)
Instructional library, media, and technology	415,776	-	115	(415,661)
School site administration	4,627,632	8,360	580,146	(4,039,126)
Pupil services				
Home-to-school transportation	2,657,366	-	-	(2,657,366)
Food services	2,427,371	234,919	2,375,021	182,569
All other pupil services	2,138,642	-	283,274	(1,855,368)
General administration				
Centralized data processing	854,085	-	-	(854,085)
All other general administration	2,662,417	11,644	302,469	(2,348,304)
Plant services	7,575,168	31,851	306,191	(7,237,126)
Interest on long-term debt	506,323	-	-	(506,323)
Other Outgo	203,064	169,371	1,542,068	1,508,375
<b>Total Governmental Activities</b>	<b>\$ 59,933,799</b>	<b>\$ 559,206</b>	<b>\$ 13,375,325</b>	<b>(45,999,268)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				4,602,272
Property taxes, levied for debt service				759,388
Property taxes, levied for other specific purposes				171,762
Federal and state aid not restricted for specific purposes				51,221,462
Interest and investment earnings				82,420
Interagency revenues				41,916
Miscellaneous				1,209,590
<b>Subtotal, General Revenue</b>				<b>58,088,810</b>
<b>CHANGE IN NET POSITION</b>				<b>12,089,542</b>
<b>Net Position - Beginning</b>				<b>(3,142,454)</b>
<b>Net Position - Ending</b>				<b>\$ 8,947,088</b>

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



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2016**

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	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 19,238,563	\$ 6,715,788	\$ 3,948,488	\$ 29,902,839
Accounts receivable	2,493,614	11,399	350,670	2,855,683
Due from other funds	-	2,000,000	-	2,000,000
Stores inventory	299,502	-	101,767	401,269
Prepaid expenditures	3,622	-	-	3,622
Other current assets	-	-	42,186	42,186
<b>Total Assets</b>	<b>\$ 22,035,301</b>	<b>\$ 8,727,187</b>	<b>\$ 4,443,111</b>	<b>\$ 35,205,599</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 2,300,760	\$ -	\$ 447,471	\$ 2,748,231
Due to other funds	2,000,000	-	-	2,000,000
<b>Total Liabilities</b>	<b>4,300,760</b>	<b>-</b>	<b>447,471</b>	<b>4,748,231</b>
<b>FUND BALANCES</b>				
Nonspendable	353,124	-	106,767	459,891
Restricted	1,562,681	8,727,187	3,244,583	13,534,451
Committed	-	-	605,897	605,897
Assigned	4,851,335	-	-	4,851,335
Unassigned	10,967,401	-	38,393	11,005,794
<b>Total Fund Balances</b>	<b>17,734,541</b>	<b>8,727,187</b>	<b>3,995,640</b>	<b>30,457,368</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,035,301</b>	<b>\$ 8,727,187</b>	<b>\$ 4,443,111</b>	<b>\$ 35,205,599</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, 2016**

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**Total Fund Balance - Governmental Funds** \$ 30,457,368

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	\$ 59,684,014	
Accumulated depreciation	(32,178,394)	27,505,620

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:

423,953

Unmatured interest on long-term debt:

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

(101,654)

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	\$ 12,459,459	
Compensated absences	695,996	
Net pension liability	38,871,045	(52,026,500)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 6,775,884	
Deferred inflows of resources related to pensions	(4,087,583)	2,688,301

**Total Net Position - Governmental Activities** \$ 8,947,088

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

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

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 50,697,477	\$ -	\$ 850,000	\$ 51,547,477
Federal sources	3,821,789	-	2,310,825	6,132,614
Other state sources	6,645,972	-	1,144,924	7,790,896
Other local sources	2,695,910	2,822,362	1,218,006	6,736,278
<b>Total Revenues</b>	<b>63,861,148</b>	<b>2,822,362</b>	<b>5,523,755</b>	<b>72,207,265</b>
<b>EXPENDITURES</b>				
Current				
Instruction	33,911,339	-	43,064	33,954,403
Instruction-related services				
Instructional supervision and administration	1,030,580	-	-	1,030,580
Instructional library, media, and technology	419,458	-	-	419,458
School site administration	4,524,215	-	30,950	4,555,165
Pupil services				
Home-to-school transportation	2,614,203	-	-	2,614,203
Food services	172	-	2,414,083	2,414,255
All other pupil services	2,085,938	-	-	2,085,938
General administration				
Centralized data processing	805,657	-	-	805,657
All other general administration	2,462,297	-	119,000	2,581,297
Plant services	6,539,475	53,341	889,003	7,481,819
Facilities acquisition and maintenance	3,868	-	7,095	10,963
Transfers to other agencies	158,774	-	-	158,774
Debt service				
Principal	15,078	-	277,088	292,166
Interest and other	2,166	-	550,574	552,740
<b>Total Expenditures</b>	<b>54,573,220</b>	<b>53,341</b>	<b>4,330,857</b>	<b>58,957,418</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>9,287,928</b>	<b>2,769,021</b>	<b>1,192,898</b>	<b>13,249,847</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,000,000	-	2,000,000
Transfers out	(2,000,000)	-	-	(2,000,000)
<b>Net Financing Sources (Uses)</b>	<b>(2,000,000)</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>7,287,928</b>	<b>4,769,021</b>	<b>1,192,898</b>	<b>13,249,847</b>
<b>Fund Balance - Beginning</b>	<b>10,446,613</b>	<b>3,958,166</b>	<b>2,802,742</b>	<b>17,207,521</b>
<b>Fund Balance - Ending</b>	<b>\$ 17,734,541</b>	<b>\$ 8,727,187</b>	<b>\$ 3,995,640</b>	<b>\$ 30,457,368</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, 2016**

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<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>13,249,847</b>
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:	\$	-
Depreciation expense:	\$	(1,082,226) (1,082,226)
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:		
		590,078
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:		
		(44,290)
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:		
		66,668
Accreted interest on long-term debt:		
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.		
		(318,163)
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:		
		(84,203)
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:		
		(288,169)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>12,089,542</b>

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

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	<b>Agency Funds</b> <b>Student Body</b> <b>Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 59,454
<b>Total Assets</b>	<b>\$ 59,454</b>
<b>LIABILITIES</b>	
Due to student groups	\$ 59,454
<b>Total Liabilities</b>	<b>\$ 59,454</b>

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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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. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

**C. 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, 2016

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

C. 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.

**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]*).

**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*).

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2016

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

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

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

**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).

**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*).

**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*).

**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.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

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

D. Basis of Accounting – Measurement Focus

**Government-Wide and Fiduciary Financial Statements**

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

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

**Governmental Funds**

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

**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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**Revenues – Exchange and Non-Exchange Transactions (continued)**

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

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

**Unearned Revenue**

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

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

**Expenses/Expenditures**

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

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Inventories**

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

**Capital Assets**

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

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

<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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Compensated Absences**

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

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

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

In the government-wide 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.

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.

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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

**F. Interfund Activity**

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

**G. Estimates**

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

**H. Budgetary Data**

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

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

**I. Property Tax**

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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

**J. New Accounting Pronouncements**

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

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

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

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

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Investment in county treasury	\$ 29,847,839	\$ -
Cash on hand and in banks	-	59,454
Cash in revolving fund	55,000	-
<b>Total cash and investments</b>	<b>\$ 29,902,839</b>	<b>\$ 59,454</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, 2016**

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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 \$29,921,853 and an amortized book value of \$29,847,839. The average weighted maturity for this pool is 311 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAA/V1.

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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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, 2016, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

Uncategorized - Investments in the 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, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 29,921,853</u>
<b>Total fair market value of investments</b>	<b><u>\$ 29,921,853</u></b>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at consisted of the following:

	<b>General 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	\$ 1,234,746	\$ -	\$ 301,968	\$ 1,536,714
State Government				
Categorical aid	129,719	-	24,113	153,832
Lottery	625,749	-	-	625,749
Local Government				
Other local sources	503,400	11,399	24,589	539,388
<b>Total</b>	<b>\$ 2,493,614</b>	<b>\$ 11,399</b>	<b>\$ 350,670</b>	<b>\$ 2,855,683</b>

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance July 01, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,083,792	\$ -	\$ -	\$ 3,083,792
Total Capital Assets not Being Depreciated	3,083,792	-	-	3,083,792
Capital assets being depreciated				
Land improvements	6,955,256	-	-	6,955,256
Buildings & improvements	43,073,783	-	-	43,073,783
Furniture & equipment	6,571,183	-	-	6,571,183
Total Capital Assets Being Depreciated	56,600,222	-	-	56,600,222
Less Accumulated Depreciation				
Land improvements	3,854,877	272,147	-	4,127,024
Buildings & improvements	20,940,427	757,390	-	21,697,817
Furniture & equipment	6,300,864	52,689	-	6,353,553
Total Accumulated Depreciation	31,096,168	1,082,226	-	32,178,394
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 28,587,846</b>	<b>\$ (1,082,226)</b>	<b>\$ -</b>	<b>\$ 27,505,620</b>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 4 – CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental activities as follows:

<b>Governmental Activities</b>	
Instruction	714,270
School site administration	75,756
Home-to-school transportation	43,289
Food services	21,645
All other pupil services	43,289
Centralized data processing	54,111
All other general administration	10,822
Plant services	119,044
Total depreciation expense	<u>1,082,226</u>

The District has closed Barstow Intermediate School effective the year ended June 30, 2009, due to declining enrollment. Management has not established a future plan for the facility. The net book value of the asset at June 30, 2016 was \$2,693,779. The District has closed Hinkley School effective the year ended June 30, 2013, due to declining enrollment. Management has not established a future plan for the facility. The net book value of the asset at June 30, 2016 was \$1,012,941.

**NOTE 5 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2016 were as follows:

	<u>Due From Other Funds</u>	
	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total</u>
<u>Due To Other Funds</u>		
General Fund	\$ 2,000,000	\$ 2,000,000
<b>Total Due From Other Funds</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>

The General Fund owed the Special Reserve Fund for Capital Outlay Projects for costs associated with school site renovation.

<b>Total</b>	\$ 2,000,000
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**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2016 consisted of the General Fund transferring \$2,000,000 to the Special Reserve Fund for Capital Outlay Projects for school site renovations.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

**NOTE 6 – ACCRUED LIABILITIES**

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

	Non-Major Governmental			Total Governmental
	General Fund	Funds	District-Wide	Activities
Payroll	\$ 541,929	\$ 18,726	\$ -	\$ 560,655
Vendors payable	1,758,831	428,745	-	2,187,576
Unmatured interest	-	-	101,654	101,654
<b>Total</b>	<b>\$ 2,300,760</b>	<b>\$ 447,471</b>	<b>\$ 101,654</b>	<b>\$ 2,849,885</b>

**NOTE 7 – LONG-TERM DEBT**

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

	Balance			Balance	Balance Due
	July 01, 2015	Additions	Deductions	June 30, 2016	In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 12,716,296	\$ 318,163	\$ 575,000	\$ 12,459,459	\$ 275,908
Capital leases	15,078	-	15,078	-	-
Compensated absences	611,793	84,203	-	695,996	-
Net pension liability	30,039,703	8,831,342	-	38,871,045	-
<b>Total</b>	<b>\$ 43,382,870</b>	<b>\$ 9,233,708</b>	<b>\$ 590,078</b>	<b>\$ 52,026,500</b>	<b>\$ 275,908</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the General Fund.
- Payments for compensated absences 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			Bonds
					Outstanding July 01, 2015	Additions	Deductions	Outstanding June 30, 2016
Election 2001, Series A	March 27, 2002	August 1, 2026	3.000% - 5.250%	\$8,037,996	\$ 754,396	\$ 42,249	\$ 400,000	\$ 396,645
Election 2001, Series B	July 14, 2004	August 1, 2038	3.000% - 8.000%	5,961,853	4,006,900	275,914	-	4,282,814
2011 Refunding	December 15, 2011	August 1, 2026	3.700%	5,275,000	4,465,000	-	30,000	4,435,000
2013 Refunding	May 17, 2013	August 1, 2026	2.500%	3,585,000	3,490,000	-	145,000	3,345,000
					<b>\$ 12,716,296</b>	<b>\$ 318,163</b>	<b>\$ 575,000</b>	<b>\$ 12,459,459</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 were two issuances under this election:

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – LONG-TERM DEBT (continued)**

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

**Election 2001 General Obligation Bonds, continued**

- Series A, which was issued on March 27, 2002, for \$8,037,996 with interest rates ranging from 3.00-5.250 percent. The original issuance consisted of \$3,570,000 in current interest serial bonds, \$4,275,000 in current interest term bonds, and \$192,996 (accreting to \$800,000) in capital appreciation serial bonds. At June 30, 2016, the principal outstanding was \$396,645.
- 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, 2016, the principal outstanding is \$4,282,814.

**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 \$329,334 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, 2016, the principal balance on the defeased debt was paid in full and the principal balance on the refunding bonds amounted to \$4,435,000.

**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 \$227,491 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, 2016, the principal balance on the defeased debt was paid in full and the principal balance on the refunding bonds amounted to \$3,345,000.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 7 – LONG-TERM DEBT (continued)**

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

The bonds mature through 2039 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 275,908	\$ 554,290	\$ 830,198
2018	615,000	232,588	847,588
2019	645,000	212,008	857,008
2020	675,000	190,588	865,588
2021	710,000	168,205	878,205
2022 - 2026	4,050,000	474,055	4,524,055
2027-2031	1,488,670	3,450,520	4,939,190
2032-2036	886,633	4,313,367	5,200,000
2037-2039	466,550	2,758,450	3,225,000
Accretion	2,646,698	(2,646,698)	-
<b>Total</b>	<b>\$ 12,459,459</b>	<b>\$ 9,707,373</b>	<b>\$ 22,166,832</b>

**C. Capital Leases**

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase has no payments remaining at June 30, 2016.

**D. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$695,996. This amount is included as part of long-term liabilities in the government-wide financial statements.

**E. Net Pension Liability**

The District's beginning net pension liability was \$30,039,703 and increased by \$8,831,342 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$38,871,045. See Note 10 for additional information regarding the net pension liability.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

**NOTE 8 – FUND BALANCES**

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

	General Fund	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	299,502	-	101,767	401,269
Prepaid expenditures	3,622	-	-	3,622
Total non-spendable	353,124	-	106,767	459,891
Restricted				
Educational programs	1,562,681	-	915,622	2,478,303
Capital projects	-	8,727,187	121,046	8,848,233
Debt service	-	-	909,319	909,319
All others	-	-	1,298,596	1,298,596
Total restricted	1,562,681	8,727,187	3,244,583	13,534,451
Committed				
Other commitments	-	-	605,897	605,897
Total committed	-	-	605,897	605,897
Assigned				
Postemployment benefits	880,123	-	-	880,123
Other assignments	3,971,212	-	-	3,971,212
Total assigned	4,851,335	-	-	4,851,335
Unassigned				
Remaining unassigned	10,967,401	-	38,393	11,005,794
Total unassigned	10,967,401	-	38,393	11,005,794
<b>Total</b>	<b>\$ 17,734,541</b>	<b>\$ 8,727,187</b>	<b>\$ 3,995,640</b>	<b>\$ 30,457,368</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 9 – 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, 2016**

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**NOTE 10 – PENSION PLANS**

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

	<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	\$ 28,641,906	\$ 5,213,554	\$ 2,813,394	\$ 2,705,753
PERS Pension	10,229,139	1,562,330	1,274,189	847,457
<b>Total</b>	<b>\$ 38,871,045</b>	<b>\$ 6,775,884</b>	<b>\$ 4,087,583</b>	<b>\$ 3,553,210</b>

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

**Plan Description**

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

**Benefits provided**

The CalSTRS defined benefit plan has two benefit formulas:

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

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

***CalSTRS 2% at 60***

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Benefits provided (continued)**

***CalSTRS 2% at 62***

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$2,287,321 for the year ended June 30, 2016.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,357,023 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 28,641,906
States's proportionate share of the net pension liability associated with the District	15,148,370
Total	<u>\$ 43,790,276</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.043 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2014.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,705,753. In addition, the District recognized pension expense and revenue of \$1,173,099 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,334,781
Differences between expected and actual experience	-	478,613
Changes in proportion and differences between District contributions and proportionate share of contributions	2,926,233	-
District contributions subsequent to the measurement date	2,287,321	-
	<u>\$ 5,213,554</u>	<u>\$ 2,813,394</u>

The \$2,287,321 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2017	\$ 487,705	\$ 663,464
2018	487,705	663,464
2019	487,705	663,464
2020	487,705	663,464
2021	487,705	79,769
2022	487,708	79,769
	<u>\$ 2,926,233</u>	<u>\$ 2,813,394</u>

BARSTOW UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2016

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NOTE 10 – PENSION PLANS (continued)

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

**Actuarial assumptions**

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

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

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

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

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

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

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

\* 10-year geometric average

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Discount rate**

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

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

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

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
District's proportionate share of the net pension liability	\$ 43,247,048	\$ 28,641,906	\$ 16,503,854

**Pension plan fiduciary net position**

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

**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.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Contributions**

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were \$977,720 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$10,229,139 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District’s proportion was 0.069 percent, which did not change from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the District recognized pension expense of \$847,457. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between projected and actual earnings on plan investments	\$ -	\$ 350,254
Differences between expected and actual experience	584,610	-
Changes in assumptions	-	628,507
Changes in proportion and differences between District contributions and proportionate share of contributions	-	295,428
District contributions subsequent to the measurement date	977,720	-
	<b><u>\$ 1,562,330</u></b>	<b><u>\$ 1,274,189</u></b>

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

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

The \$977,720 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 201,590	\$ 403,279
2018	201,590	403,279
2019	181,430	380,067
2020	-	87,564
	<u>\$ 584,610</u>	<u>\$ 1,274,189</u>

**Actuarial assumptions**

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

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

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

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

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

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

**Actuarial assumptions (continued)**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. 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	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	<u>100%</u>		

\* An expected inflation of 2.5% used for this period

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

**Discount rate**

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



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 10 – PENSION PLANS (continued)**

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

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

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

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
District's proportionate share of the net pension liability	\$ 16,648,776	\$ 10,229,139	\$ 4,890,782

**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 11 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2016**

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**NOTE 12 – 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.

**NOTE 13 – DEFERRED OUTFLOWS OF RESOURCES**

**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 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, 2016, the deferred amount on refunding was \$423,953.

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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, 2016**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
<b>REVENUES</b>				
LCFF sources	\$ 49,899,562	\$ 49,738,369	\$ 50,697,477	\$ 959,108
Federal sources	3,467,093	5,159,837	3,821,789	(1,338,048)
Other state sources	5,043,555	5,857,717	6,645,972	788,255
Other local sources	2,226,596	2,017,010	2,679,766	662,756
<b>Total Revenues</b>	<b>60,636,806</b>	<b>62,772,933</b>	<b>63,845,004</b>	<b>1,072,071</b>
<b>EXPENDITURES</b>				
Certificated salaries	22,906,422	22,403,660	21,910,018	493,642
Classified salaries	8,531,557	8,650,363	8,924,026	(273,663)
Employee benefits	10,283,641	11,184,752	11,996,423	(811,671)
Books and supplies	3,813,445	4,598,653	2,902,707	1,695,946
Services and other operating expenditures	10,791,739	12,544,954	8,737,532	3,807,422
Capital outlay	12,000	12,000	45,496	(33,496)
Other outgo				
Excluding transfers of indirect costs	314,089	314,089	176,018	138,071
Transfers of indirect costs	(100,000)	(100,000)	(119,000)	19,000
<b>Total Expenditures</b>	<b>56,552,893</b>	<b>59,608,471</b>	<b>54,573,220</b>	<b>5,035,251</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>4,083,913</b>	<b>3,164,462</b>	<b>9,271,784</b>	<b>6,107,322</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(3,300,000)	(3,300,000)	(4,700,000)	(1,400,000)
<b>Net Financing Sources (Uses)</b>	<b>(3,300,000)</b>	<b>(3,300,000)</b>	<b>(4,700,000)</b>	<b>(1,400,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>783,913</b>	<b>(135,538)</b>	<b>4,571,784</b>	<b>4,707,322</b>
<b>Fund Balance - Beginning</b>	<b>9,652,713</b>	<b>8,311,421</b>	<b>8,311,421</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 10,436,626</b>	<b>\$ 8,175,883</b>	<b>\$ 12,883,205</b>	<b>\$ 4,707,322</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, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.043%	0.038%
District's proportionate share of the net pension liability	\$ 28,641,906	\$ 22,120,061
States's proportionate share of the net pension liability associated with the District	15,148,370	13,357,047
Total	<u>\$ 43,790,276</u>	<u>\$ 35,477,108</u>
District's covered-employee payroll	\$ 21,317,064	\$ 32,253,388
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	134.4%	68.6%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	76.5%

See accompanying note to required supplementary information.

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

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.069%	0.070%
District's proportionate share of the net pension liability	\$ 10,229,139	\$ 7,919,642
District's covered-employee payroll	\$ 8,252,891	\$ 7,680,257
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123.9%	103.1%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	83.4%

See accompanying note to required supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,287,321	\$ 1,743,770
Contributions in relation to the contractually required contribution*	(2,287,321)	(1,743,770)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,317,064	\$ 32,253,388
Contributions as a percentage of covered-employee payroll	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, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 977,720	\$ 904,043
Contributions in relation to the contractually required contribution	(977,720)	(904,043)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,252,891	\$ 7,680,257
Contributions as a percentage of covered-employee payroll	11.85%	11.77%

See accompanying note to required supplementary information.



**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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

**Schedule of District Contributions**

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

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

For the year ended June 30, 2016, the District incurred the following excesses 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			
Classified salaries	\$ 8,650,363	\$ 8,924,026	\$ 273,663
Employee benefits	\$ 11,184,752	\$ 11,996,423	\$ 811,671
Capital outlay	\$ 12,000	\$ 45,496	\$ 33,496

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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, 2016**

<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>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 2,175,325
Title II, Part A, Teacher Quality	84.367	14341	237,380
Title III			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	142,025
Title III, Immigrant Education Program	84.365	15146	5,948
Subtotal Title III			<u>147,973</u>
Title VIII, Impact Aid	84.041	10015	79,615
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,006,498
Part B, Preschool Grants	84.173	13430	2,192
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	3,796
Subtotal Special Education Cluster			<u>1,012,486</u>
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	<u>62,501</u>
<b>Total U. S. Department of Education</b>			<u><u>3,715,280</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	13390	8,721
National School Lunch Program	10.555	13391	1,840,129
Meal Supplements	10.555	*	19,911
USDA Commodities	10.555	*	196,795
Especially Needy Breakfast	10.553	13526	410,745
Subtotal Child Nutrition Cluster			<u>2,476,301</u>
<b>Total U. S. Department of Agriculture</b>			<u><u>2,476,301</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	133,538
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>133,538</u>
U. S. DEPARTMENT OF DEFENSE			
Promoting K-12 Student Achievement at Military-Connected Schools	12.UNKNOWN	*	23,281
<b>Total U. S. Department of Defence</b>			<u>23,281</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 6,348,400</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, 2016**

	<b>Second Period Report</b>	<b>Revised Second Period Report</b>	<b>Annual Report</b>	<b>Revised Annual Report</b>
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	2,047.48	2,047.38	2,057.77	2,057.69
Extended Year Special Education	8.32	8.32	8.32	8.32
Community Day School	2.06	2.06	2.42	2.42
Total TK/K through Third	2,057.86	2,057.76	2,068.51	2,068.43
Fourth through Sixth				
Regular ADA	1,415.69	1,415.69	1,414.17	1,414.17
Extended Year Special Education	8.74	8.74	8.74	8.74
Special Education - Nonpublic Schools	0.89	0.89	1.12	1.12
Extended Year Special Education - Nonpublic Schools	-	-	0.10	0.10
Community Day School	7.06	7.06	9.27	9.27
Total Fourth through Sixth	1,432.38	1,432.38	1,433.40	1,433.40
Seventh through Eighth				
Regular ADA	752.12	752.12	747.21	747.21
Extended Year Special Education	4.00	4.00	4.00	4.00
Special Education - Nonpublic Schools	1.21	1.21	1.08	1.08
Extended Year Special Education - Nonpublic Schools	-	-	0.05	0.05
Total Seventh through Eighth	757.33	757.33	752.34	752.34
Ninth through Twelfth				
Regular ADA	1,431.25	1,430.87	1,412.97	1,412.66
Special Education - Nonpublic Schools	0.65	0.65	0.80	0.80
Extended Year Special Education - Nonpublic Schools	0.22	0.22	0.22	0.22
Total Ninth through Twelfth	1,432.12	1,431.74	1,413.99	1,413.68
TOTAL SCHOOL DISTRICT	5,679.69	5,679.21	5,668.24	5,667.85

See accompanying note to supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2015-16 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	58,905	180	Complied
Grade 1	50,400	56,205	180	Complied
Grade 2	50,400	56,205	180	Complied
Grade 3	50,400	56,205	180	Complied
Grade 4	54,000	56,205	180	Complied
Grade 5	54,000	56,205	180	Complied
Grade 6	54,000	56,205	180	Complied
Grade 7	54,000	64,560	180	Complied
Grade 8	54,000	64,560	180	Complied
Grade 9	64,800	68,000	180	Complied
Grade 10	64,800	68,000	180	Complied
Grade 11	64,800	68,000	180	Complied
Grade 12	64,800	68,000	180	Complied

See accompanying note to supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 61,297,429	\$ 63,845,004	\$ 54,787,740	\$ 47,100,342
Expenditures And Other Financing Uses	60,560,851	59,273,220	54,764,088	47,214,220
Net change in Fund Balance	\$ 736,578	\$ 4,571,784	\$ 23,652	\$ (113,878)
Ending Fund Balance	\$ 13,619,784	\$ 12,883,205	\$ 8,311,421	\$ 8,287,869
Available Reserves*	\$ 12,057,102	\$ 10,967,401	\$ 2,910,000	\$ 7,628,767
Available Reserves As A Percentage Of Outgo	19.91%	18.50%	5.31%	16.16%
Long-term Debt	\$ 51,750,592	\$ 52,026,500	\$ 43,382,870	\$ 13,575,918
Average Daily Attendance At P-2	5,665	5,680	5,601	5,533

The General Fund balance has increased by \$4,595,336 over the past two years. The fiscal year 2016-17 budget projects a further increase of \$736,578. 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 surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$38,450,582 over the past two years.

Average daily attendance has increased by 147 ADA over the past two years. Decline of 15 ADA is anticipated during the 2016 -17 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund 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, 2016**

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	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Benefits
June 30, 2016, annual financial and budget report fund balance	\$ 12,883,206	\$ 3,971,212	\$ 880,123
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	4,851,335	(3,971,212)	(880,123)
Net adjustments and reclassifications	4,851,335	(3,971,212)	(880,123)
June 30, 2016, audited financial statement fund balance	\$ 17,734,541	\$ -	\$ -

See accompanying note to supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and investments	\$ 958,335	\$ 160	\$ 1,321,030	\$ 611,055	\$ 1,192	\$ 147,397	\$ 909,319	\$ 3,948,488
Accounts receivable	-	-	349,691	646	2	331	-	350,670
Stores inventory	-	-	101,767	-	-	-	-	101,767
Other current assets	-	-	42,186	-	-	-	-	42,186
<b>Total Assets</b>	<b>\$ 958,335</b>	<b>\$ 160</b>	<b>\$ 1,814,674</b>	<b>\$ 611,701</b>	<b>\$ 1,194</b>	<b>\$ 147,728</b>	<b>\$ 909,319</b>	<b>\$ 4,443,111</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$ 12,877	\$ -	\$ 370,918	\$ 35,800	\$ -	\$ 27,876	\$ -	\$ 447,471
<b>Total Liabilities</b>	<b>12,877</b>	<b>-</b>	<b>370,918</b>	<b>35,800</b>	<b>-</b>	<b>27,876</b>	<b>-</b>	<b>447,471</b>
<b>FUND BALANCES</b>								
Non-spendable	-	-	106,767	-	-	-	-	106,767
Restricted	915,462	160	1,298,596	-	1,194	119,852	909,319	3,244,583
Committed	29,996	-	-	575,901	-	-	-	605,897
Unassigned	-	-	38,393	-	-	-	-	38,393
<b>Total Fund Balances</b>	<b>945,458</b>	<b>160</b>	<b>1,443,756</b>	<b>575,901</b>	<b>1,194</b>	<b>119,852</b>	<b>909,319</b>	<b>3,995,640</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 958,335</b>	<b>\$ 160</b>	<b>\$ 1,814,674</b>	<b>\$ 611,701</b>	<b>\$ 1,194</b>	<b>\$ 147,728</b>	<b>\$ 909,319</b>	<b>\$ 4,443,111</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, 2016**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
<b>REVENUES</b>								
LCFF sources	\$ -	\$ -	\$ -	\$ 850,000	\$ -	\$ -	\$ -	\$ 850,000
Federal sources	-	-	2,310,825	-	-	-	-	2,310,825
Other state sources	951,322	-	184,150	-	-	-	9,452	1,144,924
Other local sources	649	1	308,928	2,212	1,194	128,123	776,899	1,218,006
<b>Total Revenues</b>	<b>951,971</b>	<b>1</b>	<b>2,803,903</b>	<b>852,212</b>	<b>1,194</b>	<b>128,123</b>	<b>786,351</b>	<b>5,523,755</b>
<b>EXPENDITURES</b>								
Current								
Instruction	43,064	-	-	-	-	-	-	43,064
Instruction-related services								
School site administration	30,950	-	-	-	-	-	-	30,950
Pupil services								
Food services	-	-	2,414,083	-	-	-	-	2,414,083
General administration								
All other general administration	-	-	119,000	-	-	-	-	119,000
Plant services	-	-	23,874	781,331	-	83,798	-	889,003
Facilities acquisition and maintenance	-	-	-	-	-	7,095	-	7,095
Debt service								
Principal	-	-	-	-	-	-	277,088	277,088
Interest and other	-	-	-	-	-	-	550,574	550,574
<b>Total Expenditures</b>	<b>74,014</b>	<b>-</b>	<b>2,556,957</b>	<b>781,331</b>	<b>-</b>	<b>90,893</b>	<b>827,662</b>	<b>4,330,857</b>
<b>Excess (Deficiency) of Revenues</b>								
<b>Over Expenditures</b>	<b>877,957</b>	<b>1</b>	<b>246,946</b>	<b>70,881</b>	<b>1,194</b>	<b>37,230</b>	<b>(41,311)</b>	<b>1,192,898</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>877,957</b>	<b>1</b>	<b>246,946</b>	<b>70,881</b>	<b>1,194</b>	<b>37,230</b>	<b>(41,311)</b>	<b>1,192,898</b>
<b>Fund Balance - Beginning</b>	<b>67,501</b>	<b>159</b>	<b>1,196,810</b>	<b>505,020</b>	<b>-</b>	<b>82,622</b>	<b>950,630</b>	<b>2,802,742</b>
<b>Fund Balance - Ending</b>	<b>\$ 945,458</b>	<b>\$ 160</b>	<b>\$ 1,443,756</b>	<b>\$ 575,901</b>	<b>\$ 1,194</b>	<b>\$ 119,852</b>	<b>\$ 909,319</b>	<b>\$ 3,995,640</b>

See accompanying note to supplementary information.

**BARSTOW UNIFIED SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
FOR THE YEAR ENDED JUNE 30, 2016**

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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>
Ray Perea	President	2018
Julie Clemmer	Vice President	2016
Barbara Rose	Clerk	2016
Mary Rodriguez	Member	2016
Ben Rosenberg	Member	2018

**DISTRICT ADMINISTRATORS**

Jeff Malan  
*Superintendent*

Wael Elatar  
*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, 2016**

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

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 6,132,614
Medi-Cal Billing Option	93.778	<u>215,786</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 6,348,400</u>

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

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

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

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2016, the District participated in the Longer Day incentive funding program. As of June 30, 2016, the District had not yet met its target funding.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION, continued**  
**JUNE 30, 2016**

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

**Schedule of Financial Trends and Analysis**

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

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

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

**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 Ash, CPA

Heather Rubio

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, 2016, 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 12, 2016.

**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.

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

### **Compliance and Other Matters**

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

### **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 12, 2016

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

Christy White, CPA

Michael Ash, CPA

Heather 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, 2016. 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, 2016.

### **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 12, 2016

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Barstow Unified School District's state programs for the fiscal year ended June 30, 2016, as identified below.

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

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

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

Our responsibility is to express an opinion on compliance for each of 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2016-1. 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
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No

*Procedures Performed (continued)*

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	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

We did not perform procedures over the California Clean Energy Jobs Act because the District did not have any expenditures related to the program as of June 30, 2016.

*Christy White Associates*

San Diego, California  
December 12, 2016

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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, 2016**

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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>84.027, 84.173, 84.027A</u>	<u>Special Education Cluster</u>
<u>84.010</u>	<u>Title I, Part A</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, 2016**

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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, 2016.*

BARSTOW UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016.*



**BARSTOW UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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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 #2016-1 - INDEPENDENT STUDY ATTENDANCE (10000)**

**Criteria:** Pursuant to Education Code Section 51747(c)(8), "a current written agreement for each independent study pupil shall be maintained on file including, but not limited to,...each agreement shall be signed, prior to the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil."

**Condition:** While reviewing independent study attendance, it was noted that contracts were not consistently prepared, some were found to not contain all required signatures.

**Questioned costs:** The sites recorded 70 student days of attendance; For P2, 0.10 ADA for grade span K-3 and 0.39 ADA for grade span 9-12. For Annual, 0.08 for grade span K-3 and 0.31 for grade span 9-12. However, the District is funded on 2014-2015 ADA. No questioned costs identified.

**Context:** Nine of fifteen contracts tested were missing signatures and/or contract dates, resulting in an overstatement of 70 days of attendance.

**Effect:** This occurrence represents an overstatement of ADA.

**Cause:** Procedures are not in place to ensure that all contracts are complete prior to the commencement of independent study.

**Recommendation:** The District should implement procedures to ensure that all contracts are complete and signed prior to the student beginning independent study.

**District Response:** The District has implemented District wide procedures to address similar findings with independent study for the 2016-17 school year by providing audit guidelines to every school site principal, in addition the District has implemented an internal audit to be conducted at each school site 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, 2016**

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**FINDING #2015-1 - ATTENDANCE REPORTING (10000)**

**Criteria:** The average daily attendance (ADA) reported on the District's attendance reports submitted to the California Department of Education (CDE) should agree to the supporting summaries of attendance per Education Code Section 46000 et seq. Auditors are required to verify compliance per Section 19817.2 of the *Standards and Procedures for Audits of California K - 12 Local Educational Agencies*.

**Condition:** During our testing of the Second Principal (P2) and Annual Reports of Attendance submitted to CDE, it was noted that the amount reported for Grades 9-12 Extended Year Special Education ADA were over reported by 2.75 ADA at P2 and 2.75 ADA at Annual.

**Cause:** Clerical error.

**Effect:** Over reporting of 2.75 ADA for Grades 9-12 Extended Year Special Education ADA on the Second Principal Report of Attendance and an over reporting of 2.75 ADA for Grades 9-12 Extended Year Special Education ADA on the Annual Report of Attendance.

**Questioned Costs:** The District's Second Principal Report of Attendance was over reported by 2.75 ADA, however, the District has been experiencing declining enrollment and was funded based on 2013-14 P2 ADA amounts, therefore no questioned costs have been identified.

**Recommendation:** We recommend the District work to revise both their P2 and Annual Reports of Attendance.

**District Response:** The district revised the second principal report of attendance and the annual attendance report to reflect the outcome of the audit.

**Current Status:** Implemented.

**BARSTOW UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING #2015-2 – AFTER SCHOOL EDUCATION AND SAFETY (40000)**

**Criteria:** Pursuant to Education Code Sections 8482.3 and 8484, the reported number of students served should be supported by written records that document pupil participation.

**Condition:** During our testing of the ASES program it was noted that an error in a formula on the attendance worksheet allowed the District to miss one day of attendance for all school sites.

**Questioned costs:** The ASES program funding is not affected if the pupil participation level is maintained at 85% or greater. As the overstatement of students served is only six days, this did not cause the pupil participation level to fall below 85%, thus no questioned costs.

**Context:** The 13,016 student days of attendance claimed on the 2014-15 1<sup>st</sup> Half After School Base report were understated by 104 student days. The total number of students served on the 1<sup>st</sup> Half report should have been 13,120.

**Cause:** An error in the worksheet did not include one day in the totals for the month of October.

**Effect:** Inaccurate reporting submitted to California Department of Education (CDE).

**Recommendation:** The District should ensure that all reports submitted to CDE are accurate and reflect the actual student participation.

**District Response:** The ASES program provider “Save the Children” has implemented procedures at all program sites in order to accurately record & report attendance data.

**Current Status:** Implemented.

**BARSTOW UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINDING #2015-3 – INSTRUCTIONAL MATERIALS PUBLIC HEARING (70000)**

**Criteria:** Under the provisions of Education Code Section 60119(b), the governing board of the district shall hold the annual sufficiency of instructional materials hearing at a time that will encourage the attendance of teachers and parents and guardians of pupils who attend the schools in the school district and shall not take place during or immediately following school hours.

**Condition:** Based on review of agenda and meeting minutes related to the public hearing held on October 1, 2014, it appears the meeting was held at 7:30am, which falls during school hours.

**Effect:** The District was not in compliance with the applicable section of California Education Code related to instructional materials.

**Cause:** Administrative oversight in regards to the scheduling of the public hearing on the sufficiency of textbooks and instructional materials.

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

**Recommendation:** We recommend that the District ensure the public hearing is held at a time that encourages the attendance of teachers and parents and guardians of pupils who attend the schools in the school district.

**District's Response:** The District will ensure that the public hearing is held at an appropriate time.

**Current Status:** Implemented.