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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2018**

# BISHOP UNIFIED SCHOOL DISTRICT

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JUNE 30, 2018

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# **BISHOP UNIFIED SCHOOL DISTRICT**

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***FINANCIAL SECTION***

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

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Bishop Unified School District  
Bishop, 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 Bishop Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## ***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 the Bishop Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 68, schedule of changes in the District's net OPEB liability and related ratios on page 69, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Bishop Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bishop Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bishop Unified School District's internal control over financial reporting and compliance.

VAJRNEX, TRINE. MY + CO. LLP

Rancho Cucamonga, California  
December 7, 2018



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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the Bishop Unified School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

*Governmental Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Bishop Unified School District.

### **Board of Trustees**

Taylor Ludwick DVM    Trina Orrill    Josh Nicholson    Kathy Zack    Steve Elia



# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's Net Position and changes in them. Net Position is the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether *its financial health is* improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities. The District reports all of its services in this category.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### THE DISTRICT AS TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, the Inyo Education Technology Consortium, and salary reserve. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- Overall at the conclusion of the 2017-2018 school year, the District's General Fund reserves were \$3,516,629.
- Total General Fund revenues and other sources for 2017-2018 were \$21,860,644.
- Total General Fund expenditures and other uses for 2017-2018 were \$22,149,660.
- The cost of instructional-related activities and pupil services was \$20,384,463.
- The LCFF Average Daily Attendance (ADA) for the District reflected 2017-2018 at 1828.61 which was an increase from the prior year.

# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### THE DISTRICT AS A WHOLE

#### Net Position

The District's Net Position was \$(4,345,837) for the fiscal year ended June 30, 2018. Of this amount, \$(21,427,289) was unrestricted deficit. Restricted Net Position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use the Net Position for day-to-day operations. Our analysis below, in summary form, focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities	
	2018	(as restated) 2017
<b>Assets</b>		
Current and other assets	\$ 6,357,731	\$ 6,422,413
Capital assets	22,267,687	22,854,842
<b>Total Assets</b>	<b>28,625,418</b>	<b>29,277,255</b>
<b>Deferred Outflows of Resources</b>	<b>7,196,050</b>	<b>5,032,597</b>
<b>Liabilities</b>		
Current liabilities	1,644,115	1,208,448
Long-term obligations	13,339,838	13,666,366
Aggregate net pension liability	22,834,588	20,823,707
<b>Total Liabilities</b>	<b>37,818,541</b>	<b>35,698,521</b>
<b>Deferred Inflows of Resources</b>	<b>2,348,764</b>	<b>1,333,686</b>
<b>Net Position</b>		
Investment in capital assets	16,075,922	16,147,545
Restricted	1,005,530	1,091,597
Unrestricted (deficit)	(21,427,289)	(19,961,497)
<b>Total Net Position (deficit)</b>	<b>\$ (4,345,837)</b>	<b>\$ (2,722,355)</b>

# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2018	2017
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 132,547	\$ 105,005
Operating grants and contributions	3,271,689	3,605,959
General revenues:		
Federal and State aid not restricted	7,085,614	6,856,622
Property taxes	11,977,877	11,905,463
Other general revenues	909,358	1,815,173
<b>Total Revenues</b>	<b>23,377,085</b>	<b>24,288,222</b>
<b>Expenses</b>		
Instruction-related	17,887,390	18,301,804
Pupil services	2,497,073	2,520,992
Administration	1,851,910	1,713,820
Plant services	2,291,477	2,286,590
All other activities	472,717	492,780
<b>Total Expenses</b>	<b>25,000,567</b>	<b>25,315,986</b>
<b>Change in Net Position</b>	<b>\$ (1,623,482)</b>	<b>\$ (1,027,764)</b>

# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$25,000,567. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11,977,877 because the cost was paid by those who benefited from the programs (\$132,547) or by other governments and organizations who subsidized certain programs with grants and contributions (\$3,271,689). We paid for the remaining "public benefit" portion of our governmental activities with \$7,994,972 in State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions- instruction-related activities, pupil services, administration, plant services, and all other activities. As discussed above, 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.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related	\$ 17,887,390	\$ 18,301,804	\$ 15,227,060	\$ 15,343,482
Pupil services	2,497,073	2,520,992	1,847,849	1,885,137
Administration	1,851,910	1,713,820	1,832,792	1,695,218
Plant services	2,291,477	2,286,590	2,289,134	2,283,228
All other activities	472,717	492,780	399,496	397,957
<b>Total</b>	<b>\$ 25,000,567</b>	<b>\$ 25,315,986</b>	<b>\$ 21,596,331</b>	<b>\$ 21,605,022</b>

# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$4,413,851, which is a decrease of \$344,396 from last year. (Table 4)

**Table 4**

	Balances and Activity			
	July 1, 2017	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2018
General Fund	\$ 3,837,225	\$ 21,860,644	\$ 22,149,660	\$ 3,548,209
Cafeteria Fund	59,652	723,159	720,163	62,648
Deferred Maintenance Fund	172,030	1,489	145,873	27,646
Building Fund	-	1	-	1
Capital Facilities Fund	14,668	46,856	14,580	46,944
County School Facilities Fund	22	-	-	22
Special Reserve Fund for Capital Outlay Projects	113,113	23,245	4,128	132,230
Bond Interest and Redemption Fund	561,537	705,289	670,675	596,151
<b>Total</b>	<b>\$ 4,758,247</b>	<b>\$ 23,360,683</b>	<b>\$ 23,705,079</b>	<b>\$ 4,413,851</b>

The District chose to complete window replacement at BES in June 2018 in anticipation of one-time funding in the 2018-2019 state budget. The one-time money will help to restore reserves to prior levels.

- The District chose not to reduce staffing as enrollment did not decline as expected
- Increased costs of retirement contributions

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 30, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 68).

# BISHOP UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2018, the District had \$22,267,687 in a broad range of capital assets, including land and construction in process, land improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$587,155, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2018	2017
Land and construction in process	\$ 8,722,087	\$ 9,856,034
Land improvements	616,161	293,172
Buildings and improvements	12,577,236	12,377,969
Furniture and equipment	352,203	327,667
<b>Total</b>	<b>\$ 22,267,687</b>	<b>\$ 22,854,842</b>

#### Long-Term Obligations

At the end of this year, the District had \$13,339,838 in long-term obligations versus \$13,666,366 last year. The obligations consisted of the following:

**Table 6**

	Governmental Activities	
	2018	(as restated) 2017
General obligation bonds (net of unamortized premiums)	\$ 7,932,050	\$ 8,244,545
Compensated absences (vacation)	234,161	201,158
Net other postemployment benefits (OPEB) liability	5,173,627	5,220,663
<b>Total</b>	<b>\$ 13,339,838</b>	<b>\$ 13,666,366</b>

The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is significantly below statutorily imposed limit.

#### Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$22,834,588, versus \$20,823,707 last year, an increase of \$2,010,881, or 9.7%.

# **BISHOP UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:**

The District saw an increase to enrollment numbers in 1718 and again in 1819.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2018-2019 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are: The District developed the 2018-2019 budget based on traditional revenue limit factors. The adoption of the Local Control Funding Formula (LCFF) has triggered a dramatic change in the District budget.

1. Revenue limit income based upon the State adopted budget and current ADA numbers. The biggest change is due to LCFF changes.
2. Developer fee collections are based on approximate new housing units to be constructed.
3. State Revenues for 2018-2019 reflect one-time funding for discretionary and CTE use.
4. Federal income for 2018-2019 and subsequent years has been projected to be flat.

Expenditures are based on the following forecasts:

1. Expenditures for 2018-2019 are budgeted in the District accounts to cover salary and benefits.
2. Step and column increases are included for all bargaining units.
3. Required increases to contributions to state retirement plans, PERS and STRS, are included for all employees.

### **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 Midge Milici, Chief Business Official, at Bishop Unified School District, Bishop, California, 93514, (760) 872-1060, or e-mail at [mmilici@bishopschools.org](mailto:mmilici@bishopschools.org).



# BISHOP UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 4,049,623
Receivables	2,308,108
Capital assets:	
Land and construction in process	8,722,087
Other capital assets	28,534,092
Less: Accumulated depreciation	(14,988,492)
Total Capital Assets	<u>22,267,687</u>
<b>Total Assets</b>	<u>28,625,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	155,301
Deferred outflows of resources related to pensions	7,040,749
<b>Total Deferred Outflows of Resources</b>	<u>7,196,050</u>
<b>LIABILITIES</b>	
Accounts payable	1,469,726
Accrued interest payable	72,553
Unearned revenue	101,836
Long-term obligations:	
Current portion of long-term obligations other than pensions	500,000
Noncurrent portion of long-term obligations other than pensions	12,839,838
Total Long-Term Obligations	<u>13,339,838</u>
Aggregate net pension liability	22,834,588
<b>Total Liabilities</b>	<u>37,818,541</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	<u>2,348,764</u>
<b>NET POSITION</b>	
Investment in capital assets	16,075,922
Restricted for:	
Debt service	523,598
Capital projects	46,966
Other activities	434,966
Unrestricted (deficit)	(21,427,289)
<b>Total Net Position (deficit)</b>	<u>\$ (4,345,837)</u>

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Change in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 15,423,962	\$ -	\$ 2,562,590	\$ (12,861,372)
Instruction-related activities:				
Supervision of instruction	341,108	-	15,755	(325,353)
Instructional library, media, and technology	145,012	-	-	(145,012)
School site administration	1,977,308	-	81,985	(1,895,323)
Pupil services:				
Home-to-school transportation	595,823	-	857	(594,966)
Food services	740,509	87,225	487,105	(166,179)
All other pupil services	1,160,741	-	74,037	(1,086,704)
Administration:				
Data processing	481,310	-	-	(481,310)
All other administration	1,370,600	-	19,118	(1,351,482)
Plant services	2,291,477	-	2,343	(2,289,134)
Ancillary services	108,932	-	2,051	(106,881)
Interest on long-term obligations	363,785	-	-	(363,785)
Other outgo	-	45,322	25,848	71,170
<b>Total Governmental Activities</b>	<b>\$ 25,000,567</b>	<b>\$ 132,547</b>	<b>\$ 3,271,689</b>	<b>(21,596,331)</b>
General revenues and subventions:				
				11,275,643
Property taxes, levied for general purposes				702,234
Property taxes, levied for debt service				7,085,614
Federal and State aid not restricted to specific purposes				53,280
Interest and investment earnings				856,078
Miscellaneous				
			<b>Subtotal, General Revenues</b>	<b>19,972,849</b>
			<b>Change in Net Position</b>	<b>(1,623,482)</b>
			Net Position - Beginning (as restated)	(2,722,355)
			Net Position - Ending	<b>\$ (4,345,837)</b>

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

# BISHOP UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2018

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 2,581,986	\$ 901,151	\$ 3,483,137
Receivables	2,164,646	137,630	2,302,276
Due from other funds	270,000	-	270,000
<b>Total Assets</b>	<b>\$ 5,016,632</b>	<b>\$ 1,038,781</b>	<b>\$ 6,055,413</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,366,587	\$ 103,139	\$ 1,469,726
Due to other funds	-	70,000	70,000
Unearned revenue	101,836	-	101,836
<b>Total Liabilities</b>	<b>1,468,423</b>	<b>173,139</b>	<b>1,641,562</b>
<b>Fund Balances:</b>			
Nonspendable	4,000	-	4,000
Restricted	-	705,766	705,766
Committed	-	27,646	27,646
Assigned	27,580	132,230	159,810
Unassigned	3,516,629	-	3,516,629
<b>Total Fund Balances</b>	<b>3,548,209</b>	<b>865,642</b>	<b>4,413,851</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,016,632</b>	<b>\$ 1,038,781</b>	<b>\$ 6,055,413</b>

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

**BISHOP UNIFIED SCHOOL DISTRICT**

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

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**Total Fund Balance - Governmental Funds** **\$ 4,413,851**

**Amounts Reported for Governmental Activities in the Statement of Net  
Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 37,256,179	
Accumulated depreciation is	<u>(14,988,492)</u>	
Net Capital Assets		22,267,687

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	1,904,534	
Net change in proportionate share of net pension liability	616,457	
Differences between projected and actual earnings on pension plan investments	257,565	
Differences between expected and actual experience in the measurement of the total pension liability	323,654	
Changes of assumptions	<u>3,938,539</u>	
Total Deferred Outflows of Resources Related to Pensions		7,040,749

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Net change in proportionate share of net pension liability	(1,582,838)	
Differences between projected and actual earnings on pension plan investments	(409,854)	
Differences between expected and actual experience in the measurement of the total pension liability	(268,410)	
Changes of assumptions	<u>(87,662)</u>	
Total Deferred Inflows of Resources Related to Pensions		(2,348,764)

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

# BISHOP UNIFIED SCHOOL DISTRICT

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

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Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.	\$	155,301
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(72,553)
An internal service fund is used by the District's management to charge the costs of the postemployment benefits other than pensions to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		372,318
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(22,834,588)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	\$	5,904,608
Unamortized premium		442,459
Compensated absences (vacation)		234,161
Net other postemployment benefits (OPEB) liability		5,173,627
In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is the following.		1,584,983
Total Long-Term Obligations		<u>(13,339,838)</u>
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(4,345,837)</u></b>

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

# BISHOP UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES JUNE 30, 2018

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Local Control Funding Formula	\$ 16,687,458	\$ -	\$ 16,687,458
Federal sources	1,888,254	491,154	2,379,408
Other State sources	2,441,808	38,237	2,480,045
Other local sources	843,124	871,627	1,714,751
<b>Total Revenues</b>	<b>21,860,644</b>	<b>1,401,018</b>	<b>23,261,662</b>
<b>EXPENDITURES</b>			
Current			
Instruction	13,848,237	-	13,848,237
Instruction-related activities:			
Supervision of instruction	331,029	-	331,029
Instructional library, media, and technology	137,677	-	137,677
School site administration	1,869,494	-	1,869,494
Pupil services:			
Home-to-school transportation	525,438	-	525,438
Food services	-	720,163	720,163
All other pupil services	1,048,827	-	1,048,827
Administration:			
Data processing	466,629	-	466,629
All other administration	1,265,148	-	1,265,148
Plant services	2,276,451	40,013	2,316,464
Ancillary services	106,707	-	106,707
Facility acquisition and construction	175,002	124,568	299,570
Debt service			
Principal	-	485,000	485,000
Interest and other	-	185,675	185,675
<b>Total Expenditures</b>	<b>22,050,639</b>	<b>1,555,419</b>	<b>23,606,058</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>(189,995)</b>	<b>(154,401)</b>	<b>(344,396)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	99,021	99,021
Transfers out	(99,021)	-	(99,021)
<b>Net Financing Sources (Uses)</b>	<b>(99,021)</b>	<b>99,021</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(289,016)</b>	<b>(55,380)</b>	<b>(344,396)</b>
<b>Fund Balances - Beginning</b>	<b>3,837,225</b>	<b>921,022</b>	<b>4,758,247</b>
<b>Fund Balances - Ending</b>	<b>\$ 3,548,209</b>	<b>\$ 865,642</b>	<b>\$ 4,413,851</b>

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

# BISHOP UNIFIED SCHOOL DISTRICT

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

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (344,396)</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which depreciation expense exceeds capital outlay in the period.	
Depreciation expense	\$ (1,038,400)
Capital outlay	<u>451,245</u>
Net Expense Adjustment	(587,155)
In the Statement of Activities, certain operating expenses - compensated absences (vacation) is measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$33,003.	(33,003)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(852,152)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of change in net OPEB liability during the year.	47,036
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:	
General obligation bonds	485,000

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

**BISHOP UNIFIED SCHOOL DISTRICT**

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

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Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 40,885	
Amortization of deferred charge on refunding	<u>(10,354)</u>	
Combined adjustment		\$ 30,531

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$4,749, and second, \$213,390 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(208,641)

An Internal Service Fund is used by the District's management to charge the costs of postemployment benefits other than pension to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

(160,702)

**Change in Net Position of Governmental Activities**

**\$ (1,623,482)**

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



**BISHOP UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 566,486
Receivables	5,832
<b>Total Current Assets</b>	<b>572,318</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Due to other funds	200,000
<b>NET POSITION</b>	
Restricted	<b>\$ 372,318</b>

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

**BISHOP UNIFIED SCHOOL DISTRICT**

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

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Charges to other funds and miscellaneous revenues	\$ 32,979
<b>OPERATING EXPENSES</b>	
Payroll costs	200,000
<b>Operating Loss</b>	<b>(167,021)</b>
<b>NONOPERATING REVENUES</b>	
Interest income	6,319
<b>Change in Net Position</b>	<b>(160,702)</b>
<b>Total Net Position - Beginning</b>	<b>533,020</b>
<b>Total Net Position - Ending</b>	<b>\$ 372,318</b>

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

**BISHOP UNIFIED SCHOOL DISTRICT**

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

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from interfund services provided	\$ 33,425
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	6,319
Net Increase in Cash and Cash Equivalents	39,744
Cash and Cash Equivalents - Beginning	526,742
Cash and Cash Equivalents - Ending	\$ 566,486
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (167,021)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	446
Due to other fund	200,000
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 33,425</b>

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

# BISHOP UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

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	<u>Scholarship Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Deposits and investments	\$ 50,796	\$ 516,433
Receivables	157	-
Stores inventories	-	820
<b>Total Assets</b>	<u>50,953</u>	<u>\$ 517,253</u>
<b>LIABILITIES</b>		
Accounts payable	1,500	\$ -
Due to student groups	-	517,253
<b>Total Liabilities</b>	<u>1,500</u>	<u>\$ 517,253</u>
<b>NET POSITION</b>		
Unreserved	49,453	
<b>Total Net Position</b>	<u>\$ 49,453</u>	

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Scholarship Trust</b>
<b>ADDITIONS</b>	
Private donations	\$ 500
Interest	582
<b>Total Additions</b>	<u>1,082</u>
 <b>DEDUCTIONS</b>	
Other expenditures	<u>1,500</u>
 <b>Change in Net Position</b>	(418)
<b>Net Position - Beginning</b>	<u>49,871</u>
<b>Net Position - Ending</b>	<u><u>\$ 49,453</u></u>

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

Effective July 1, 2010, Bishop Joint Union High School District (BJUHSD) and Bishop Union Elementary School District (BUESD) unified to create Bishop Unified School (the District). The District operates under a locally elected five-member board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, one continuation high school, and a community day school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Bishop Unified School District, this includes general operations, food services, and student related activities of the District.

#### **Other Related Entities**

**Joint Venture** The District has entered into an agreement with the other educational agencies in Inyo County to form the Inyo Education Technology Consortium with for the purpose of equally providing equal access to the K-12 High Speed Network (HSN). Inyo Education is operated and governed by all participants to this agreement as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest.

#### **Basis of Presentation - Fund Accounting**

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Major Governmental Funds

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

One fund, currently defined as a special revenue fund in the California State Accounting Manual (CSAM), does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund and, accordingly, had been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance, revenues, and expenditures and other financing uses of \$27,580, \$324, and \$3,163, respectively.

### Non-Major Governmental Funds

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

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code Sections 38090-38093*) and is 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** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code Section 17582*).

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

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

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

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in Net Position, financial position, and cash flows. The District applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service.

**Internal Service Fund** Internal Service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District accounts for the collection of contributions towards the payment of retiree health benefits in an internal service fund.

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

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



# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **Basis of Accounting - Measurement Focus**

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

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

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

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

### **Capital Assets and Depreciation**

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

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

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

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

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

# **BISHOP UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **Compensated Absences**

Compensated absences are accrued as a liability and reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

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

### **Accrued Liabilities and Long-Term Obligations**

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Pensions

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

### Postemployment Benefits Other Than Pensions (OPEB)

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

### Fund Balances - Governmental Funds

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

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

**Unassigned** - all other spendable amounts.

# **BISHOP UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 19 percent of General Fund expenditures and other financing uses.

### **Net Position**

Net Position represents the difference between assets and liabilities. Net Position 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. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report \$1,005,530 of restricted Net Position.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are collections of contributions for retiree health benefits. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental columns of the Statement of Activities.

### **Estimates**

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Property Tax

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

### Change in Accounting Principles

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

### **New Accounting Pronouncements**

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

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

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

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



# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

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

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

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

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

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

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

Governmental activities	\$ 4,049,623
Fiduciary funds	<u>567,229</u>
Total Deposits and Investments	<u><u>\$ 4,616,852</u></u>

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

Cash on hand and in banks	\$ 516,433
Cash in revolving	4,000
Investments	<u>4,096,419</u>
Total Deposits and Investments	<u><u>\$ 4,616,852</u></u>

#### Policies and Practices

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Inyo County Treasury Investment Pool. The Pool purchases shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$4,096,419 with the Inyo County Treasury Investment Pool with an average weighted maturity of 663 days.

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### 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 investment with Inyo County Treasury Investment Pool is currently not rated.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District bank balance of \$242,087 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably 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.

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Uncategorized - Investments in the Inyo 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 are as follows at June 30, 2018:

<u>Investment Type</u>	<u>Reported Amount</u>	<u>Uncategorized</u>
Inyo County Treasury Investment Pool	<u>\$ 4,096,419</u>	<u>\$ 4,096,419</u>

### NOTE 4 - RECEIVABLES

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Funds</u>
Federal Government					
Categorical aid	\$ 365,616	\$ 118,611	\$ -	\$ 484,227	\$ -
State Government					
LCFF					
apportionment	443,493	-	-	443,493	-
Categorical aid	26,658	8,847	-	35,505	-
Lottery	112,677	-	-	112,677	-
Special education	72,223	-	-	72,223	-
Local Government					
Interest	21,582	2,501	1,747	25,830	157
Taxes	973,099	-	-	973,099	-
Due from SELPA	75,797	-	-	75,797	-
Other local sources	73,501	7,671	4,085	85,257	-
Total	<u>\$ 2,164,646</u>	<u>\$ 137,630</u>	<u>\$ 5,832</u>	<u>\$ 2,308,108</u>	<u>\$ 157</u>

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 8,435,359	\$ -	\$ -	\$ 8,435,359
Construction in process	1,420,675	286,728	1,420,675	286,728
Total Capital Assets Not Being Depreciated	9,856,034	286,728	1,420,675	8,722,087
Capital Assets Being Depreciated				
Land improvements	1,339,080	384,873	113,960	1,609,993
Buildings and improvements	22,266,688	1,085,342	-	23,352,030
Furniture and equipment	3,457,092	114,977	-	3,572,069
Total Capital Assets Being Depreciated	27,062,860	1,585,192	113,960	28,534,092
Less Accumulated Depreciation				
Land improvements	1,045,908	61,884	113,960	993,832
Buildings and improvements	9,888,719	886,075	-	10,774,794
Furniture and equipment	3,129,425	90,441	-	3,219,866
Total Accumulated Depreciation	14,064,052	1,038,400	113,960	14,988,492
Governmental Activities Capital Assets, Net	<u>\$22,854,842</u>	<u>\$ 833,520</u>	<u>\$ 1,420,675</u>	<u>\$ 22,267,687</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 830,720
Home-to-school transportation	51,920
All other pupil services	51,920
All other general administration	51,920
Plant services	51,920
Total Depreciation Expenses Governmental Activities	<u>\$ 1,038,400</u>

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 6 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds, and internal service funds are as follows:

Due To	Due From		Total
	Non-Major Governmental Funds	Internal Service Fund	
General Fund	\$ 70,000	\$ 200,000	\$ 270,000

The balance of \$200,000 due to the General Fund from the Internal Service Fund resulted from retiree benefit payments.

The balance of \$70,000 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from overpayment of contributions.

**Operating Transfers**

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

Transfer To	Transfers From General Fund
Non-Major Governmental Funds	\$ 99,021
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for operating contributions.	\$ 99,021

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**NOTE 7 - ACCOUNTS PAYABLE**

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Salaries and benefits	\$ 572,649	\$ -	\$ 572,649	\$ -
LCFF apportionment	96,334	-	96,334	-
Supplies and materials	24,218	188	24,406	-
Services	441,655	-	441,655	1,500
Capital outlay	-	100,553	100,553	-
Other vendor payables	231,731	2,398	234,129	-
Total	<u>\$ 1,366,587</u>	<u>\$ 103,139</u>	<u>\$ 1,469,726</u>	<u>\$ 1,500</u>

**NOTE 8 – UNEARNED REVENUE**

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

State categorical aid	<u><u>\$ 101,836</u></u>
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**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	(as restated)			Balance June 30, 2018	Due in One Year
	Balance July 1, 2017	Additions	Deductions		
General Obligation Bonds, Series 2008 (Elementary)	\$ 2,911,201	\$ 213,390	\$ 95,000	\$ 3,029,591	\$ 105,000
2015 General Obligation Bonds	500,000	-	30,000	470,000	25,000
2015 General Obligation Refunding Bonds, Series A	2,005,000	-	195,000	1,810,000	200,000
2015 General Obligation Refunding Bonds, Series B	2,345,000	-	165,000	2,180,000	170,000
Premium on Issuance	483,344	-	40,885	442,459	-
Compensated absences (vacation)	201,158	33,003	-	234,161	-
Net other postemployment benefits (OPEB) liability	5,220,663	596,708	643,744	5,173,627	-
	<u>\$ 13,666,366</u>	<u>\$ 843,101</u>	<u>\$ 1,169,629</u>	<u>\$ 13,339,838</u>	<u>\$ 500,000</u>

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Compensated absences (vacation) will be paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) are generally paid by the General Fund.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2017	Accreted	Redeemed	Outstanding June 30, 2018
12/18/2008	8/1/2033	3.85-6.50%	\$ 2,496,565	\$ 2,911,201	\$ 213,390	\$ 95,000	\$ 3,029,591
9/17/2015	8/1/2030	2.00-4.50%	500,000	500,000	-	30,000	470,000
9/17/2015	8/1/2025	2.00-5.00%	2,210,000	2,005,000	-	195,000	1,810,000
9/17/2015	8/1/2033	2.00-4.00%	2,515,000	2,345,000	-	165,000	2,180,000
				<u>\$ 7,761,201</u>	<u>\$ 213,390</u>	<u>\$ 485,000</u>	<u>\$ 7,489,591</u>

# **BISHOP UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **General Obligation Bonds, Series 2008 (Elementary)**

On December 18, 2008, the Bishop Union Elementary School District issued \$2,496,565 of General Obligation Bonds, Series 2008. The bonds mature beginning on August 1, 2011, through August 1, 2033, with interest rates ranging from 3.85 to 6.50 percent. The General Obligation Bonds, Series 2008 were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$4,738,435, and an aggregate principal debt service balance of \$7,235,000. The General Obligation Bonds, Series 2008 were issued for the purpose of financing the construction, acquisition, and improvement of school facilities, including the addition of renewable energy improvements. On September 17, 2015, the Bishop Unified School District issued \$2,515,000 of the 2015 General Obligation Refunding Bonds, Series B. \$720,000 of the proceeds from the 2015 General Obligation Refunding Bonds, Series B were used to refund a portion of the General Obligation Bonds, Series 2008 (Elementary). At June 30, 2018, the General Obligation Bonds, Series 2008 principal balance outstanding was \$3,029,591 and unamortized premium was \$139,168.

### **General Obligation Bonds, Series 2015**

On September 17, 2015, the Bishop Unified School District issued \$500,000 of the General Obligation Bonds, Series 2015 with interest rate rates ranging from 2.00 to 4.50 percent. The General Obligation Bonds, Series 2015 have a final maturity to occur on August 1, 2030. The net proceeds of \$510,886 (representing the principal amount of \$500,000 plus premium on issuance of \$25,651 minus cost of issuance of \$14,769) will be used to finance the renovation, construction, and improvement of school facilities and to pay for the cost of issuing the bonds. At June 30, 2018, the principal balance outstanding was \$470,000. Unamortized premium received on the issuance of the bonds amounted to \$20,521 as of June 30, 2018.

### **2015 General Obligation Refunding Bonds, Series A**

On September 17, 2015, the Bishop Unified School District issued \$2,210,000 of the 2015 General Obligation Refunding Bonds, Series A with interest rate rates ranging from 2.00 to 5.00 percent. The 2015 General Obligation Refunding Bonds, Series A have a final maturity to occur on August 1, 2025. The net proceeds of \$2,349,053 (representing the principal amount of \$2,210,000 plus premium on issuance of \$207,111 minus cost of issuance of \$68,058) from the issuance were used to the refund the remaining balance of the 2007 General Obligation Refunding Bonds (Elementary) in their entirety, with the final prepayment to occur September 29, 2015, and to pay the costs of issuance associated with the refunding bonds. At June 30, 2018, the principal balance outstanding was \$1,810,000. Unamortized premium received on the issuance of the bonds amounted to \$144,978 as of June 30, 2018.

### **2015 General Obligation Refunding Bonds, Series B**

On September 17, 2015, the Bishop Unified School District issued \$2,515,000 of the 2015 General Obligation Refunding Bonds, Series B with interest rates ranging from 2.00 to 4.00 percent. The 2015 General Obligation Refunding Bonds, Series B have a final maturity to occur on August 1, 2033. The net proceeds of \$2,596,425 (representing the principal amount of \$2,515,000 plus premium on issuance of \$165,350 minus cost of issuance of \$83,925) from the issuance were used to the refund the remaining balance of the 2007 General Obligation Refunding Bonds (High) in their entirety, with the final prepayment to occur September 29, 2015, to refund \$720,000 of the General Obligation Bonds, Series 2008 (High), and to pay the costs of issuance associated with the refunding bonds. At June 30, 2018, the principal balance outstanding was \$2,180,000. Unamortized premium received on the issuance of the bonds amounted to \$137,792.

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Debt Service Requirements to Maturity

The bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2019	\$ 495,000	\$ 5,000	\$ 168,175	\$ 668,175
2020	451,763	-	153,325	605,088
2021	468,225	-	135,250	603,475
2022	705,352	144,600	119,825	969,777
2023	506,697	-	107,175	613,872
2024-2028	2,603,199	870,104	287,281	3,760,584
2029-2033	1,554,355	2,115,645	153,513	3,823,513
2034	705,000	-	14,100	719,100
Total	<u>\$ 7,489,591</u>	<u>\$ 3,135,349</u>	<u>\$ 1,138,644</u>	<u>\$ 11,763,584</u>

### Compensated Absences (Vacation)

The compensated absences (vacation) for the District at June 30, 2018, amounted to \$234,161.

### Net Other Postemployment Benefit (OPEB) Liability

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

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
District Plan	\$ 5,046,884	\$ 25,611
Medicare Premium Payment (MPP) Program	126,743	21,425
Total	<u>\$ 5,173,627</u>	<u>\$ 47,036</u>

The details of each plan are as follows:

#### District Plan

#### Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The Self-Insured Schools of California (SISC) administers the accumulation of funds and payment of benefits for the Bishop Unified School District's Postemployment Benefit Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for SISC can be found on the <http://sisc.kern.org/>

### *Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	22
Active employees	202
	<hr/>
	224
	<hr/> <hr/>

### *Benefits Provided*

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

### *Contributions*

The contribution requirements of the Plan members and the District are established and may be amended by the District, the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$558,136 to the Plan, which was used for current premiums.

### **Net OPEB Liability of the District**

The District's net OPEB liability of \$5,046,884 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 6,152,686
Plan fiduciary net position	(1,105,802)
District's net OPEB liability	<hr/>
	\$ 5,046,884
	<hr/> <hr/>
Plan fiduciary net position as a percentage of the total OPEB liability	17.97%
	<hr/> <hr/>

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	5.75 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.00 percent for 2018

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

Mortality rates were based on the 2015 CalSTRS experience study for certificated employees and the 2017 CalPERS experience study for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 6,263,344	\$ 1,190,849	\$ 5,072,495
Service cost	219,505	-	219,505
Interest	353,387	-	353,387
Contributions-employer	-	558,136	(558,136)
Net investment income	-	64,183	(64,183)
Benefit payments	(683,550)	(683,550)	-
Administrative expense	-	(23,816)	23,816
Net change in total OPEB liability	(110,658)	(85,047)	(25,611)
Balance at June 30, 2018	<u>\$ 6,152,686</u>	<u>\$ 1,105,802</u>	<u>\$ 5,046,884</u>

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (4.75%)	\$ 5,412,808
Current discount rate (5.75%)	5,046,884
1% increase (6.75%)	4,705,121

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (6.0%)	\$ 4,792,515
Current healthcare cost trend rate (7.0%)	5,046,884
1% increase (8.0%)	5,337,425

**OPEB Expense related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$25,611.

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Benefits Provided

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

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

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

### Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of \$126,743 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0301 percent, and 0.0317 percent, resulting in a net decrease in the proportionate share of 0.0015 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$21,425.

### Actuarial Methods and Assumptions

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

### **Discount Rate**

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 140,314
Current discount rate (3.58%)	126,743
1% increase (4.58%)	113,543



# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 114,532
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	126,743
1% increase (4.7% Part A and 5.1% Part B)	138,833

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 4,000	\$ -	\$ 4,000
Restricted			
Capital projects	-	46,967	46,967
Debt services	-	596,151	596,151
Cafeteria program	-	62,648	62,648
Total Restricted	-	705,766	705,766
Committed			
Deferred maintenance program	-	27,646	27,646
Assigned			
Future capital projects	-	132,230	132,230
Transportation	27,580	-	27,580
Total Assigned	27,580	132,230	159,810
Unassigned			
Remaining unassigned	3,516,629	-	3,516,629
Total	\$ 3,548,209	\$ 865,642	\$ 4,413,851

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 11 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with the Self-Insured Schools of California II (SISC II) entity risk pool for property and liability insurance coverage.

#### Workers' Compensation

For fiscal year 2018, the District participated in Self-Insured Schools of California I (SISC I) entity risk pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SISC I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SISC I. Each participant pays its workers' compensation premium based on its individual rate.

#### Employee Medical Benefits

During fiscal year 2018, the District contracted with the Central Valley Schools Health and Welfare Trust (CVT) entity risk pool to provide employee health benefits. CVT is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 15,389,035	\$ 4,793,947	\$ 2,096,436	\$ 1,445,996
CalPERS	7,445,553	2,246,802	252,328	1,310,690
Total	<u>\$ 22,834,588</u>	<u>\$ 7,040,749</u>	<u>\$ 2,348,764</u>	<u>\$ 2,756,686</u>

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The details of each plan are as follows:

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

#### **Plan Description**

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

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

#### **Benefits Provided**

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

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

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

**Contributions**

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$1,288,548.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 15,389,035
State's proportionate share of the net pension liability associated with the District	9,104,023
Total	<u>\$ 24,493,058</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0166 percent and 0.0178 percent, resulting in a net decrease in the proportionate share of 0.0012 percent.

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

For the year ended June 30, 2018, the District recognized pension expense of \$1,445,996. In addition, the District recognized pension expense and revenue of \$916,407 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,288,548	\$ -
Net change in proportionate share of net pension liability	597,490	1,418,172
Differences between projected and actual earnings on pension plan investments	-	409,854
Differences between expected and actual experience in the measurement of the total pension liability	56,910	268,410
Changes of assumptions	2,850,999	-
Total	<u>\$ 4,793,947</u>	<u>\$ 2,096,436</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (340,726)
2020	257,828
2021	37,176
2022	(364,132)
Total	<u>\$ (409,854)</u>

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 315,813
2020	315,813
2021	315,813
2022	315,812
2023	197,640
Thereafter	357,926
Total	<u>\$ 1,818,817</u>

### Actuarial Methods and Assumptions

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

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

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

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

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 22,595,990
Current discount rate (7.10%)	15,389,035
1% increase (8.10%)	9,540,104

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

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

#### Benefits Provided

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

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

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



# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$615,986.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$7,445,553. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0312 percent and 0.0325 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$1,310,690. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 615,986	\$ -
Net change in proportionate share of net pension liability	18,967	164,666
Differences between projected and actual earnings on pension plan investments	257,565	-
Differences between expected and actual experience in the measurement of the total pension liability	266,744	-
Changes of assumptions	1,087,540	87,662
Total	<u>\$ 2,246,802</u>	<u>\$ 252,328</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (6,980)
2020	297,174
2021	108,413
2022	(141,042)
Total	<u>\$ 257,565</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 403,235
2020	392,668
2021	325,020
Total	<u>\$ 1,120,923</u>

**Actuarial Methods and Assumptions**

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

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

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool Fiduciary Net Position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 10,954,794
Current discount rate (7.15%)	7,445,553
1% increase (8.15%)	4,534,343

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **Tax Deferred Annuity**

The District contributes to the Self-Insured Schools of California I (SISC I) Defined Benefit Plan (DBP). A Defined Benefit Pension Plan provides benefits in return for services rendered, and specifies the amount of benefits individuals will receive. An actuary determines the annual contribution for a defined benefit plan based upon the benefits to be paid.

As established by Federal law, all public sector employees who are not member of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the SISC DBP as its alternative plan. Contributions made by the District and employees vest immediately. The District contributes 4.4 percent (SISC DBP) of an employee's gross earnings. An employee is not required to contribute to the pension plan. The District contributed \$16,353 to the SISC DBP during 2017-2018 fiscal year.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$840,282 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

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

### **Litigation**

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES**

The District is a member of the SISC I, SISC II, and CVT public entity risk pools and joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its workers' compensation, property liability, and health coverage. The relationships between the District 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.

During the year ended June 30, 2018, the District made payments of \$226,504, \$128,129, and \$3,213,867 to SISC I, SISC II, and CVT, respectively, for the coverage noted above.

**NOTE 15 - INYO EDUCATION TECHNOLOGY CONSORTIUM**

The Bishop Unified School District has formed the Inyo Education Technology Consortium (the Consortium) with six other local education agencies with Inyo County for the purpose of equally providing equal access to the K-12 High Speed Network (HSN). K-12 HSN is a State program which provides network connectivity, internet services, teaching and learning application coordination, and video-conferencing and support for California's K-12 community. The other local education agencies include Big Pine Unified School District, Bishop Joint Union High School District, Lone Pine Unified School District, Owens Valley Unified School District, Round Valley Joint Elementary School District, and Inyo County Office of Education.

Bishop Unified School District serves as the fiscal and administrative agent for the Consortium. As of June 30, 2018, the Consortium had \$0 in fund balance and \$0 in assets.

**NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION**

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

**Government-Wide Financial Statements**

Net Position - Beginning	\$ 2,417,475
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(5,139,830)</u>
Net Position - Beginning as Restated	<u><u>\$ (2,722,355)</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**BISHOP UNIFIED SCHOOL DISTRICT**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 16,585,777	\$ 16,878,273	\$ 16,687,458	\$ (190,815)
Federal sources	1,856,598	1,871,140	1,888,254	17,114
Other State sources	1,433,704	1,844,649	2,441,808	597,159
Other local sources	612,208	944,109	843,124	(100,985)
<b>Total Revenues <sup>1</sup></b>	<u>20,488,287</u>	<u>21,538,171</u>	<u>21,860,644</u>	<u>322,473</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	9,133,949	9,342,415	9,431,319	(88,904)
Classified salaries	3,630,013	3,750,790	3,721,545	29,245
Employee benefits	5,594,822	5,603,036	6,179,948	(576,912)
Books and supplies	729,726	704,809	498,200	206,609
Services and operating expenditures	1,677,582	1,857,456	2,031,747	(174,291)
Capital outlay	-	346,345	187,880	158,465
<b>Total Expenditures <sup>1</sup></b>	<u>20,766,092</u>	<u>21,604,851</u>	<u>22,050,639</u>	<u>(445,788)</u>
<b>Deficiency of Revenues</b>				
<b>Over Expenditures</b>	<u>(277,805)</u>	<u>(66,680)</u>	<u>(189,995)</u>	<u>(123,315)</u>
<b>Other Financing Uses</b>				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(99,021)</u>	<u>979</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(377,805)</u>	<u>(166,680)</u>	<u>(289,016)</u>	<u>(122,336)</u>
<b>Fund Balance - Beginning</b>	<u>3,837,225</u>	<u>3,837,225</u>	<u>3,837,225</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,459,420</u>	<u>\$ 3,670,545</u>	<u>\$ 3,548,209</u>	<u>\$ (122,336)</u>

<sup>1</sup> On behalf payments of \$840,282 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 15, Pupil Transportation Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund is included in the Actual (GAAP Basis) revenues and expenditures however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

# BISHOP UNIFIED SCHOOL DISTRICT

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

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 219,505
Interest	353,387
Benefit payments	<u>(683,550)</u>
<b>Net change in total OPEB liability</b>	<u>(110,658)</u>
<b>Total OPEB liability - beginning</b>	6,263,344
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 6,152,686</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 558,136
Net investment income	64,183
Benefit payments	(683,550)
Administrative expense	<u>(23,816)</u>
<b>Net change in plan fiduciary net position</b>	<u>(85,047)</u>
<b>Plan fiduciary net position - beginning</b>	1,190,849
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,105,802</u></u>
<b>District's net OPEB liability - ending (a) - (b)</b>	<u><u>\$ 5,046,884</u></u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<u>17.97%</u>
<b>Covered-employee payroll</b>	<u>\$ 12,058,918</u>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<u>41.85%</u>

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

See accompanying note to required supplementary information.



# BISHOP UNIFIED SCHOOL DISTRICT

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

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Year ended June 30,	2018
District's proportion of the net OPEB liability	0.0301%
District's proportionate share of the net OPEB liability	\$ 126,743
District's covered-employee payroll	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0166%</u>	<u>0.0178%</u>
District's proportionate share of the net pension liability	\$ 15,389,035	\$ 14,397,722
State's proportionate share of the net pension liability associated with the District	<u>9,104,023</u>	<u>8,196,366</u>
Total	<u>\$ 24,493,058</u>	<u>\$ 22,594,088</u>
District's covered - employee payroll	<u>\$ 8,845,739</u>	<u>\$ 8,927,707</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>173.97%</u>	<u>161.27%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.0312%</u>	<u>0.0325%</u>
District's proportionate share of the net pension liability	<u>\$ 7,445,553</u>	<u>\$ 6,425,985</u>
District's covered - employee payroll	<u>\$ 3,978,449</u>	<u>\$ 3,590,200</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>187.15%</u>	<u>178.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0190%</u>	<u>0.0176%</u>
\$ 12,823,028	\$ 10,291,339
<u>6,781,968</u>	<u>6,214,355</u>
<u>\$ 19,604,996</u>	<u>\$ 16,505,694</u>
<u>\$ 8,655,236</u>	<u>\$ 7,934,898</u>
<u>148.15%</u>	<u>129.70%</u>
<u>74%</u>	<u>77%</u>
<u>0.0325%</u>	<u>0.0321%</u>
\$ 4,784,486	\$ 3,642,364
\$ 3,591,097	\$ 3,375,953
<u>133.23%</u>	<u>107.89%</u>
<u>79%</u>	<u>83%</u>

# BISHOP UNIFIED SCHOOL DISTRICT

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

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	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 1,288,548	\$ 1,112,794
Contributions in relation to the contractually required contribution	<u>1,288,548</u>	<u>1,112,794</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 8,929,647</u>	<u>\$ 8,845,739</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>
 <b>CalPERS</b>		
Contractually required contribution	\$ 615,986	\$ 552,527
Contributions in relation to the contractually required contribution	<u>615,986</u>	<u>552,527</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 3,966,171</u>	<u>\$ 3,978,449</u>
Contributions as a percentage of covered - employee payroll	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
\$ 957,943	\$ 768,585
<u>957,943</u>	<u>768,585</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 8,927,707</u>	<u>\$ 8,655,236</u>
<u>10.73%</u>	<u>8.88%</u>

\$ 425,331	\$ 422,708
<u>425,331</u>	<u>422,708</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 3,590,200</u>	<u>\$ 3,591,097</u>
<u>11.847%</u>	<u>11.771%</u>

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

At June 30, 2018, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual *	Excess
General Fund	<u>\$ 21,704,851</u>	<u>\$ 22,149,660</u>	<u>\$ 444,809</u>

\* Includes on behalf payments of \$840,282.

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

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

*Change in Benefit Terms* – There were no changes in benefit terms.

*Change of Assumptions* – There were no changes of assumptions.

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

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

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

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

# BISHOP UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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

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

*Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

*Changes of Assumptions* – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

### **Schedule of District Contributions**

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

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***SUPPLEMENTARY INFORMATION***

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**BISHOP UNIFIED SCHOOL DISTRICT**

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

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Indian Education	84.060	[1]	\$ 92,187
Impact Aid	84.041	[1]	1,022,949
Passed through California Department of Education (CDE)			
Title I Grants to Local Educational Agencies			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	309,488
Title I, Part D, Subpart 2, Local Delinquent Programs	84.010	14357	5,253
Subtotal Title I Grants to Local Educational Agencies			<u>314,741</u>
Title I, Part G - Advance Placement Test Fee Reimbursement	84.330B	14831	416
Title II, Part A, Supportive Effective Instruction	84.367	14341	48,915
Passed through Lone Pine Unified School District			
Title III, English Learner Student Program	84.365	14346	14,442
Passed through Inyo County SELPA			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027A	13379	363,460
Total U.S. Department of Education			<u>1,857,110</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	191
Total U.S. Department of Health and Human Services			<u>191</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	364,278
Especially Needy Breakfast Program	10.553	13526	66,373
Meal Supplements	10.555	13396	5,316
Summer Food Service Program	10.559	13004	7,173
Commodities	10.555	13396	48,014
Total Child Nutrition Cluster			<u>491,154</u>
Forest Reserve Fund	10.665	10044	30,953
Total U.S. Department of Agriculture			<u>522,107</u>
Total Federal Programs			<u>\$ 2,379,408</u>

[1] Direct funded program

See accompanying note to supplementary information.

# BISHOP UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### ORGANIZATION

Effective July 1, 2010, Bishop Joint Union High School District (BJUHSD) and Bishop Union Elementary School District (BUESD) have unified to create Bishop Unified School District (BUSD). The District operates under a locally elected five-member board form of government and provides educational services to grades Kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, one continuation high school, and a community day school.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Trina Orrill	President	2020
Joshua Nicholson	Vice President	2018
Kathy Zack	Clerk	2018
Dr. Taylor Ludwick	Member	2018
Steve Elia	Member	2020

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Barry D. Simpson	District Superintendent
Midge Milici	Chief Business Officer

See accompanying note to supplementary information.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	548.38	548.67
Fourth through sixth	406.17	404.99
Seventh and eighth	294.63	293.07
Ninth through twelfth	569.70	565.29
Total Regular ADA	<u>1,818.88</u>	<u>1,812.02</u>
Extended Year Special Education		
Seventh and eighth	0.10	0.10
Ninth through twelfth	0.07	0.07
Total Extended Year Special Education	<u>0.17</u>	<u>0.17</u>
Community Day School		
Fourth through sixth	4.46	5.30
Seventh and eighth	2.07	3.60
Ninth through twelfth	3.03	2.81
Total Community Day School	<u>9.56</u>	<u>11.71</u>
Total ADA	<u><u>1,828.61</u></u>	<u><u>1,823.90</u></u>

See accompanying note to supplementary information.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,015	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,415	180	N/A	Complied
Grade 2		51,415	180	N/A	Complied
Grade 3		52,315	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		60,360	180	N/A	Complied
Grade 5		60,360	180	N/A	Complied
Grade 6		63,053	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		63,053	180	N/A	Complied
Grade 8		63,053	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,049	180	N/A	Complied
Grade 10		65,049	180	N/A	Complied
Grade 11		65,049	180	N/A	Complied
Grade 12		65,049	180	N/A	Complied

See accompanying note to supplementary information.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

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

See accompanying note to supplementary information.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

	(Budget) 2019 <sup>1</sup>	2018	2017	2016
GENERAL FUND <sup>3</sup>				
Revenues	\$ 22,546,367	\$ 21,860,320	\$ 21,942,022	\$ 21,607,574
Expenditures	21,932,666	22,047,476	21,669,943	21,581,357
Other uses	370,000	99,021	450,884	536,253
Total Expenditures and Other Uses	22,302,666	22,146,497	22,120,827	22,117,610
INCREASE (DECREASE) IN FUND BALANCE	\$ 243,701	\$ (286,177)	\$ (178,805)	\$ (510,036)
ENDING FUND BALANCE	\$ 3,764,330	\$ 3,520,629	\$ 3,806,806	\$ 3,985,611
AVAILABLE RESERVES <sup>2</sup>	\$ 3,760,329	\$ 3,516,629	\$ 3,802,806	\$ 3,981,611
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	16.86%	16.44%	17.80%	18.47%
LONG-TERM OBLIGATIONS <sup>4</sup>	N/A	\$ 13,339,838	\$ 13,666,366	\$ 8,730,772
K-12 AVERAGE DAILY ATTENDANCE AT P-2	1,843	1,829	1,778	1,800

The General Fund balance has decreased by \$464,982 over the past two years. The fiscal year 2018-2019 budget projects an increase of \$243,701 6.9 percent. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$4,609,066 over the past two years.

Average daily attendance has increased by 29 over the past two years. An additional growth of 14 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Fund 15, Pupil Transportation Fund as required by GASB Statement No. 54.

<sup>4</sup> Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 3,757	\$ 128,253	\$ 1
Receivables	130,814	303	-
<b>Total Assets</b>	<b>\$ 134,571</b>	<b>\$ 128,556</b>	<b>\$ 1</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,923	\$ 100,910	\$ -
Due to other funds	70,000	-	-
<b>Total Liabilities</b>	<b>71,923</b>	<b>100,910</b>	<b>-</b>
<b>Fund Balances:</b>			
Restricted	62,648	-	1
Committed	-	27,646	-
Assigned	-	-	-
<b>Total Fund Balances</b>	<b>62,648</b>	<b>27,646</b>	<b>1</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 134,571</b>	<b>\$ 128,556</b>	<b>\$ 1</b>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 42,405	\$ 22	\$ 132,316	\$ 594,397	\$ 901,151
4,539	-	220	1,754	137,630
<u>\$ 46,944</u>	<u>\$ 22</u>	<u>\$ 132,536</u>	<u>\$ 596,151</u>	<u>\$ 1,038,781</u>
\$ -	\$ -	\$ 306	\$ -	\$ 103,139
-	-	-	-	70,000
<u>-</u>	<u>-</u>	<u>306</u>	<u>-</u>	<u>173,139</u>
46,944	22	-	596,151	705,766
-	-	-	-	27,646
-	-	132,230	-	132,230
<u>46,944</u>	<u>22</u>	<u>132,230</u>	<u>596,151</u>	<u>865,642</u>
<u>\$ 46,944</u>	<u>\$ 22</u>	<u>\$ 132,536</u>	<u>\$ 596,151</u>	<u>\$ 1,038,781</u>



**BISHOP UNIFIED SCHOOL DISTRICT**

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

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>				
Federal sources	\$ 491,154	\$ -	\$ -	\$ -
Other State sources	33,523	-	-	-
Other local sources	99,461	1,489	1	46,856
<b>Total Revenues</b>	<u>624,138</u>	<u>1,489</u>	<u>1</u>	<u>46,856</u>
<b>EXPENDITURES</b>				
Current				
Pupil services:				
Food services	720,163	-	-	-
Plant services	-	40,013	-	-
Facility acquisition and construction	-	105,860	-	14,580
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
<b>Total Expenditures</b>	<u>720,163</u>	<u>145,873</u>	<u>-</u>	<u>14,580</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(96,025)</u>	<u>(144,384)</u>	<u>1</u>	<u>32,276</u>
<b>Other Financing Sources</b>				
Transfers in	99,021	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	2,996	(144,384)	1	32,276
<b>Fund Balances - Beginning</b>	59,652	172,030	-	14,668
<b>Fund Balances - Ending</b>	<u>\$ 62,648</u>	<u>\$ 27,646</u>	<u>\$ 1</u>	<u>\$ 46,944</u>

See accompanying note to supplementary information.

<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 491,154
-	-	4,714	38,237
-	23,245	700,575	871,627
-	23,245	705,289	1,401,018
-	-	-	720,163
-	-	-	40,013
-	4,128	-	124,568
-	-	485,000	485,000
-	-	185,675	185,675
-	4,128	670,675	1,555,419
-	19,117	34,614	(154,401)
-	-	-	99,021
-	19,117	34,614	(55,380)
22	113,113	561,537	921,022
<u>\$ 22</u>	<u>\$ 132,230</u>	<u>\$ 596,151</u>	<u>\$ 865,642</u>

# **BISHOP UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

#### **Local Education Agency Organization Structure**

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

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

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

#### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at the 1986-1987 requirements, as required by *Education Code* Section 46201.

#### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

#### **Schedule of Financial Trends and Analysis**

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

# **BISHOP UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Bishop Unified School District  
Bishop, 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 Bishop Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bishop Unified School District's basic financial statements, and have issued our report thereon dated December 7, 2018.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bishop 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 Bishop Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Bishop Unified School District's internal control.

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

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

We noted certain matters that we reported to management of Bishop Unified School District in a separate letter dated December 7, 2018.

## **Purpose of This Report**

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

VAJRNEX, TRINE. RAY + CO. LLP

Rancho Cucamonga, California  
December 7, 2018



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

Governing Board  
Bishop Unified School District  
Bishop, California

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

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

***Management's Responsibility***

Management is responsible for compliance with the 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 Bishop 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 Bishop Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



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

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

### **Report on Internal Control Over Compliance**

Management of Bishop 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 Bishop 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 Bishop Unified School District's internal control over compliance.

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

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

VAUGHN, TRINE, RAY + CO. LLP

Rancho Cucamonga, California  
December 7, 2018



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

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Bishop Unified School District  
Bishop, California

### **Report on State Compliance**

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

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

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

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

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

### ***Unmodified Opinion***

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

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

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

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

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

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

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

The District does not have a Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

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

The District does not offer an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

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

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

VAUGHN, TRINE. MY + CO. LLP

Rancho Cucamonga, California  
December 7, 2018

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

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**BISHOP UNIFIED SCHOOL DISTRICT**

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

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>

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

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.041</u>	<u>Impact aid</u>

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

**STATE AWARDS**

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

**BISHOP UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**BISHOP UNIFIED SCHOOL DISTRICT**

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

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None reported.



**BISHOP UNIFIED SCHOOL DISTRICT**

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

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None reported.

# BISHOP UNIFIED SCHOOL DISTRICT

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

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

### *State Awards Findings*

**2017-001      40000**

#### **Criteria or Specific Requirements**

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

#### **Condition**

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 62 students as having designation of English Learners (EL) on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

#### **Questioned Costs**

The District over claimed the total eligible pupils by 45, resulting in a decrease of approximately \$12,525 in Local Control Funding Formula (LCFF) funding.

#### **Context**

The condition was identified as a result of selecting a sample of students from the "1.18 –FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1). From 3 students selected for testing, one had been exited out of EL designation before the census date. Auditor requested that the District review all of its EL students and determine how many more students had been exited out of EL designation before census date but their status wasn't changed in CALPADS. The District's review resulted in total of 45 students who were incorrectly designated as EL on the "1.18 – FRPM/English Learner/Foster Youth – StudentList" report.

# BISHOP UNIFIED SCHOOL DISTRICT

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

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### Effect

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

School Name	Enrollment Count	Certified Total Unduplicated Count	Adjustment Based on Eligibility FRPM	Adjusted Total Unduplicated Count
<b>Total District-wide</b>	1,890	1,048	(45)	1,003

### Cause

The primary cause appears to be the manner in which the District was importing student information from the Aeries attendance system into CalPADS. The students that resulted in exceptions had been designated out of EL status in the District's attendance system but the information wasn't properly imported into CalPADS which caused the discrepancy.

### Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated.

### Current Status

Implemented.



Governing Board  
Bishop Unified School District  
Bishop, California

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

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 7, 2018, on the government-wide financial statements of the District.

***ASSOCIATED STUDENT BODY (ASB)***

*Home Street Middle School*

Observations

1. Based on the review of the cash receipting procedures, it was noted that four of 13 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 21 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. One of the disbursements tested was unallowable as it was a donation to a charitable organization.
3. During testing of cash disbursements, the auditor noted that four of 25 disbursements tested were not pre-approved. The expenditure approval was dated after the invoice.

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. If the ASB decides to donate money to a charitable organization, they need to hold a fundraiser specifically for that reason, have the fundraiser approved by the Board, and donate the money directly to the organization and not deposit the money in the ASB bank account.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council and has a proper purchase order or requisition to go with it. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

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

VAVRINEK, TRINE, DAY & CO. LLP

Rancho Cucamonga, California  
December 7, 2018