

**BONSALL UNIFIED SCHOOL DISTRICT  
COUNTY OF SAN DIEGO  
BONSALL, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2017**

**Wilkinson Hadley King & Co. LLP  
CPA's and Advisors  
218 W. Douglas Ave  
El Cajon, CA 92020**

## Introductory Section

Bonsall Unified School District  
Audit Report  
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
 <b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	Exhibit A-1
Statement of Activities.....	12	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	19	Exhibit A-6
Statement of Net Position - Proprietary Funds.....	21	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	22	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	23	Exhibit A-9
Statement of Fiduciary Net Position - Fiduciary Funds.....	24	Exhibit A-10
Notes to the Financial Statements .....	25	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	63	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan.....	64	Exhibit B-2
Schedule of the District's Proportionate Share of the		
Net Pension Liability - CalSTRS - Governmental Activities.....	65	Exhibit B-3
Schedule of District's Contributions - CalSTRS - Governmental Activities.....	66	Exhibit B-4
Schedule of the District's Proportionate Share of the		
Net Pension Liability - CalPERS - Governmental Activities.....	67	Exhibit B-5
Schedule of District's Contributions - CalPERS - Governmental Activities.....	68	Exhibit B-6
Schedule of the District's Proportionate Share of the		
Net Pension Liability - CalSTRS - Business-Type Activities.....	69	Exhibit B-7
Schedule of District's Contributions - CalSTRS - Business-Type Activities.....	70	Exhibit B-8
Schedule of the District's Proportionate Share of the		
Net Pension Liability - CalPERS - Business-Type Activities.....	71	Exhibit B-9
Schedule of District's Contributions - CalPERS - Business-Type Activities.....	72	Exhibit B-10
Notes to Required Supplementary Information.....	73	

Bonsall Unified School District  
Audit Report  
For The Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	75	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	76	Exhibit C-2
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	77	
Schedule of Average Daily Attendance.....	78	Table D-1
Schedule of Instructional Time.....	79	Table D-2
Schedule of Financial Trends and Analysis.....	80	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	81	Table D-4
Schedule of Charter Schools.....	82	Table D-5
Schedule of Expenditures of Federal Awards .....	83	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	85	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	86	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	88	
Independent Auditor's Report on State Compliance.....	90	
Schedule of Findings and Questioned Costs .....	93	
Summary Schedule of Prior Audit Findings.....	95	

## Financial Section

## **Independent Auditor's Report**

To the Board of Trustees  
Bonsall Unified School District  
Bonsall, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bonsall Unified School District ("the District") as of and for the year ended June 30, 2017, 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. 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, the business-type activities, each major fund, and the aggregate remaining fund information of Bonsall Unified School District as of June 30, 2017, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Bonsall Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 January 30, 2018 on our consideration of Bonsall Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bonsall Unified School District's internal control over financial reporting and compliance.

*Wilkinson Hobbly King & Co., LLP*

El Cajon, California  
January 30, 2018

**BONSALL UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Fiscal Year Ended June 30, 2017  
(Unaudited)**

This section of Bonsall Unified School District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements included in the audit report to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Government. Certain comparative information between the current and the prior year is required in this section.

## **I. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements.

The statements are organized so that the reader can understand the District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

### **Fund financial statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.



Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, deferred maintenance, building fund, and the Capital Outlay Projects Capital Facilities. Data from the other governmental funds are combined into a single, aggregated presentation.

- Proprietary funds: The District maintains one proprietary fund type, an enterprise fund, to account for the fee-based before and after child care programs.

## II. GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

As noted earlier, net position serves as a useful indicator over time of a government's financial position. In the case of the District. The District's assets and deferred outflows exceeded liabilities and deferred inflows by \$4.59 million. The long term debt of \$54.03 million includes the net pension liability (STRS & PERS) of \$22.1 million (an increase of \$4.7 million), general obligation bonds of \$18.7 million, COP debt of \$7.8 million and QZAB debt of \$2.5 million.

### 2016-17 NET POSITION

(In Millions of Dollars)

	Governmental Activities		2016-17 Over/(Under) 2015-16		% Change
	2016-17	2015-16			
<b>Assets</b>					
Current and Other Assets	\$ 6.20	\$ 8.79	\$ (2.59)		-29.5%
Capital Assets	49.95	48.63	1.32		2.7%
<b>Total Assets</b>	<b>\$ 56.15</b>	<b>\$ 57.42</b>	<b>\$ (1.27)</b>		-2.2%
<b>Deferred Outflows of Resources</b>	<b>\$ 4.58</b>	<b>\$ 3.81</b>	<b>\$ 0.77</b>		20.2%
<b>Liabilities</b>					
Long Term Debt Outstanding	\$ 54.03	\$ 49.20	\$ 4.83		9.8%
Other Liabilities	1.53	2.21	(0.68)		-30.8%
<b>Total Liabilities</b>	<b>\$ 55.56</b>	<b>\$ 51.41</b>	<b>\$ 4.15</b>		8.1%
<b>Deferred Inflows of Resources</b>	<b>\$ 0.58</b>	<b>\$ 0.87</b>	<b>\$ (0.29)</b>		-33.3%
<b>Net Position</b>					
Net Investment in Capital Assets	\$ 20.99	\$ 19.20	\$ 1.79		9.3%
Restricted	-	-	-		N/A
Unrestricted	(16.40)	(10.25)	(6.15)		60.0%
<b>Total Net Position</b>	<b>\$ 4.59</b>	<b>\$ 8.95</b>	<b>\$ (4.36)</b>		-48.7%

## Governmental activities

The key elements of the District's net position for the year ended June 30, 2017 are as follows:

<b>2016-17 Activities</b> <i>(In Millions of Dollars)</i>					
	<b>Governmental Activities</b>		<b>2016-17 Over/(Under) 2015-16 % Change</b>		
<b>Revenues</b>	2016-17	2015-16			
General Revenues	\$ 27.26	\$ 28.69	\$ (1.43)		-5.0%
Extraordinary Items	-	-	-		N/A
<b>Total Revenues</b>	<b>\$ 27.26</b>	<b>\$ 28.69</b>	<b>\$ (1.43)</b>		-5.0%
<b>Expenses</b>					
Instructional & Pupil Services	\$ 24.62	\$ 22.37	\$ 2.25		10.1%
Operations & Administration	7.22	6.63	0.59		8.9%
<b>Total Expenses</b>	<b>\$ 31.84</b>	<b>\$ 29.00</b>	<b>\$ 2.84</b>		9.8%
Change in Net Position	\$ (4.57)	\$ (0.31)	\$ (4.26)		1374.2%
Net Position Beginning	9.16	9.33	(0.17)		-1.8%
<b>Net Position Ending</b>	<b>\$ 4.59</b>	<b>\$ 9.02</b>	<b>\$ (4.43)</b>		-49.1%

The \$4.43 million change in net position is due to \$6 million received from a COP issue in late 2015/16 and half of it spent in 2016/17.

## FACTORS IMPACTING THE DISTRICT'S FINANCIAL FUTURE

Even though the California economic outlook has been very positive as shown by growth in per capita personal income, employment, and a recovery of the construction/housing industries; it is still in the recovery mode and is at risk. The risks are that job growth is slowing, inflation is increasing, and the State's revenue is overly dependent on capital gains in the stock market.

The State's education budget proposes to fully implement the LCFF in 2018/19, two years earlier than originally plan. School districts have been able to project increases in on-going revenues and budgets. That is in stark contrast the funding for the Special Education programs, districts are required to provide services for which there is very little funding.

### Revenue

The table below shows the LCFF Target funding per ADA by grade span for 2016-17 and 2017-18. As depicted, the District was funded at 96% of Target in 2016-17 which is projected to increase to 97% of Target in 2017-17. The District does not receive any concentration grant funds due to the District's population of unduplicated students who qualify for the free or reduced lunch program and/or English learners at approximately 35%.

Target in 2016-17				% Funded 96%
Base	Gr Span	Supp	Total	
\$ 7,083	\$ 737	\$ 551	\$ 8,371	\$ 8,047
\$ 7,189		\$ 506	\$ 7,695	\$ 7,398
\$ 7,403		\$ 521	\$ 7,924	\$ 7,618
\$ 8,578	\$ 223	\$ 620	\$ 9,421	\$ 9,057

Target in 2017-18				% Funded 97%
Base	Gr Span	Supp	Total	
\$ 7,193	\$ 748	\$ 567	\$ 8,508	\$ 8,213
\$ 7,301		\$ 521	\$ 7,822	\$ 7,551
\$ 7,518		\$ 536	\$ 8,054	\$ 7,776
\$ 8,712	\$ 227	\$ 638	\$ 9,577	\$ 9,246

The table below shows the District is projecting to receive LCFF revenues of \$19.36 million in 2017-18 which equates to an average of \$8,219 per ADA, a 2.6% increase over 2016-17.

	2014-15	Increase		2015-16	Increase		2016-17	Increase		2017-18
Total LCFF <sup>1</sup>	\$ 14.50	\$ 2.13	14.7%	\$ 16.63	\$ 1.43	8.6%	\$ 18.06	\$ 1.31	7.2%	\$ 19.36
LCFF/ADA	\$ 6,928	\$ 701	10.1%	\$ 7,629	\$ 384	5.0%	\$ 8,013	\$ 206	2.6%	\$ 8,219

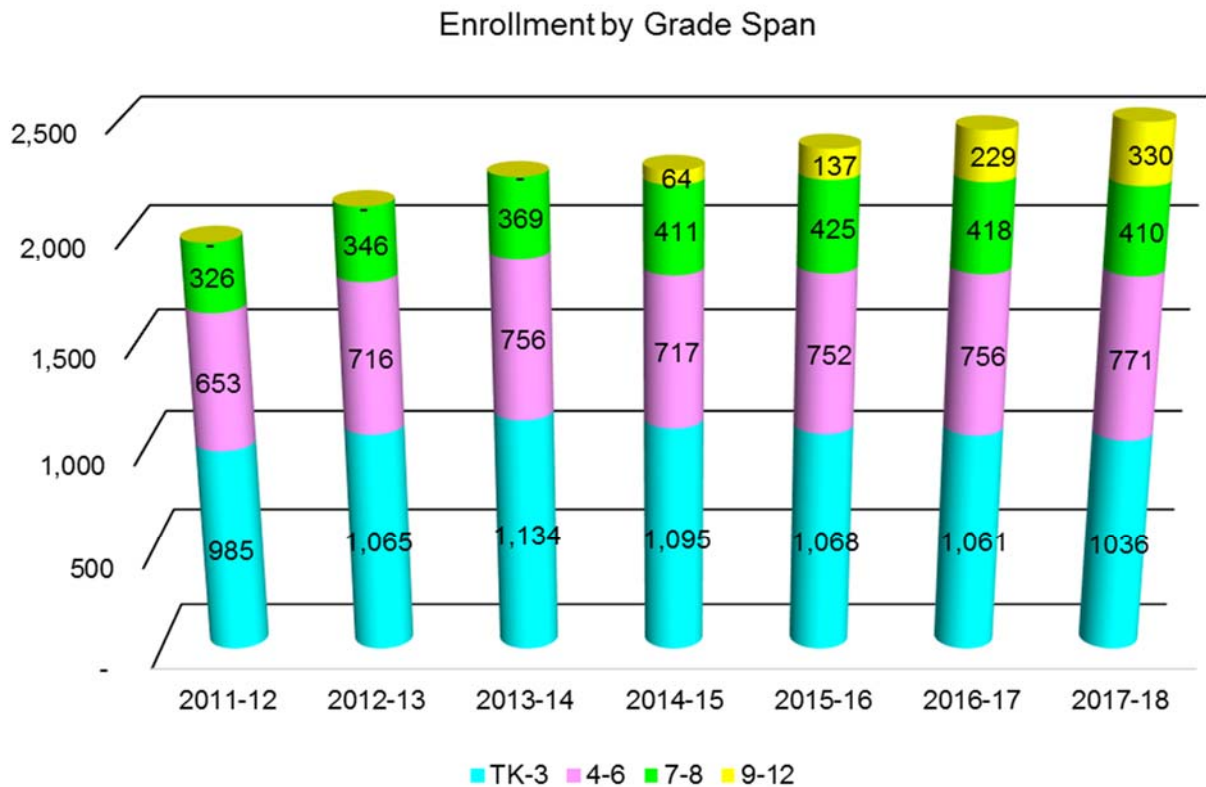
<sup>1</sup> In Millions



### Enrollment - Current

As depicted in the table and chart below, the District's growth in the higher funded grade span of 9<sup>th</sup> to 12<sup>th</sup> has resulted in an increase in the average revenue per ADA. Unfortunately the District has experienced declining enrollment over the last several years in the transitional-kindergarten to 6<sup>th</sup> grade span. This reduced enrollment will slowly articulate up through the District over time.

The District has the opportunity for growth at the high school if it can retain more of the 8<sup>th</sup> graders. About 32% of the 8<sup>th</sup> grades continue on with the District and articulate on to the high school's 9<sup>th</sup> grade class. The District is addressing this with its course offerings. Bonsall High School now offers sports, STEM classes, and college classes through a partnership with one of the local community colleges.



Grade Span	11/12	12/13	Change	13/14	Change	14/15	Change	15/16	Change	16/17	Change	17/18	Change
TK-3	985	1,065	80	1,134	69	1,095	(39)	1,068	(27)	1,061	(7)	1,036	(25)
4-6	653	716	63	756	40	717	(39)	752	35	756	4	771	15
7-8	326	346	20	369	23	411	42	425	14	418	(7)	410	(8)
9-12	-	-	-	-	-	64	64	137	73	229	92	330	101
<b>Total</b>	<b>1,964</b>	<b>2,127</b>	<b>163</b>	<b>2,259</b>	<b>132</b>	<b>2,287</b>	<b>28</b>	<b>2,382</b>	<b>95</b>	<b>2,464</b>	<b>82</b>	<b>2,547</b>	<b>83</b>
			8.3%		6.2%		1.2%		4.2%		3.4%		3.4%

### Enrollment - Future

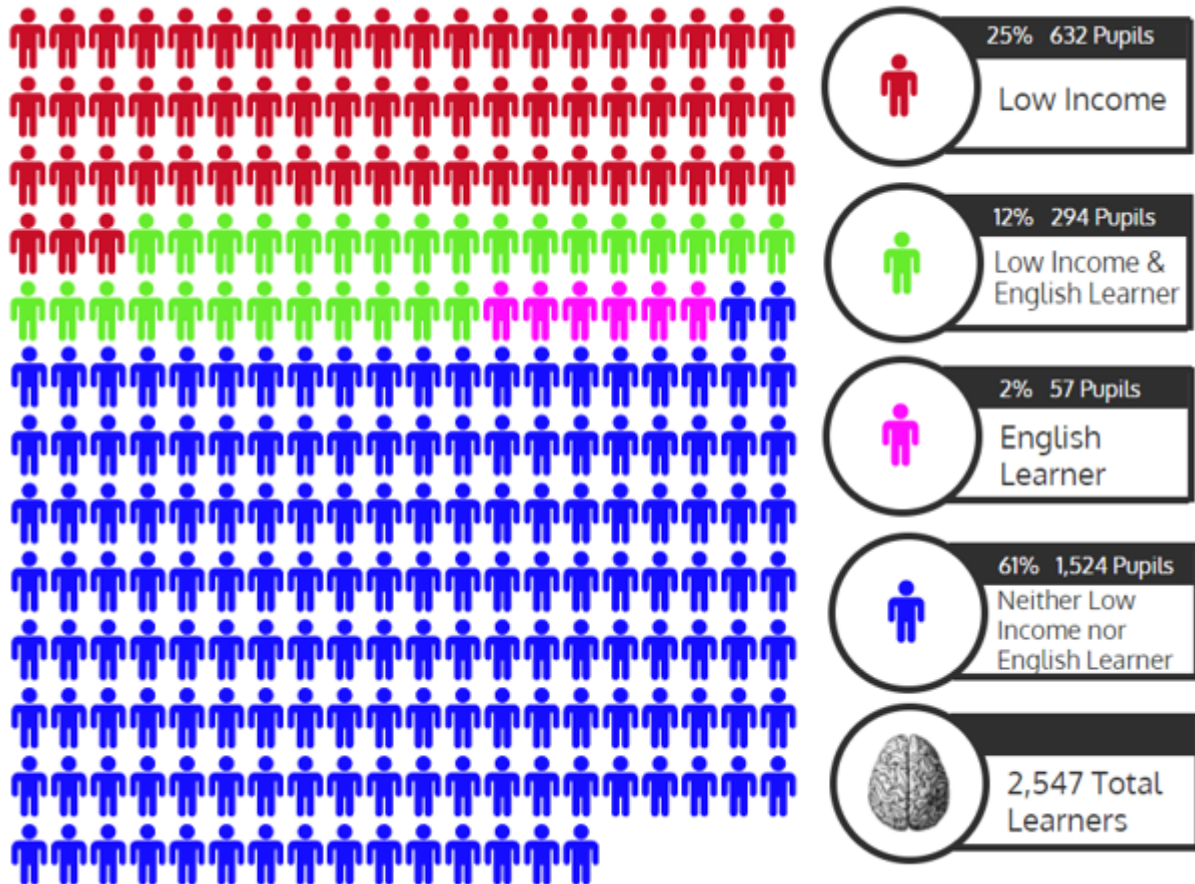
Another factor that will affect the District's enrollment is residential housing development. Two medium size development projects, 1 & 2 in the table below, have already broken ground and a few very large projects are in the planning phase. It's anticipated the District will see significant additional growth over the next five to seven years. As the table below shows, housing developments 1 to 3 will build over 700 residential units and do not require any General Plan amendments or rezoning. These units are projected to generate over 500 students within the District's schools. The housing projects 4 through 7 do not have any significant hindrances to their permits but are not schedule to break ground in the medium term, thus they are on a longer range forecast for the District.

Projected New Housing Developments:			New					
			New Units	Students	Elementary	Middle	High	Status
1	Pala Mesa Highlands	S	124	109	65	23	21	20/21
2	S.L.Rey Residences	S	93	81	49	17	15	19/20
3	Meadowood	S	295	259	155	55	49	TE 21/22
	Meadowood	M	197	81	41	15	25	
4	Bree Construction LLC	S	27	23	14	5	4	MND
5	Race Track Condos (Bonsall Group LLC)	M	76	32	16	6	10	SPA
6	Vessels Ranch	S	399	351	210	75	66	SPA
7	Campus Park West	M	283	117	59	22	36	RZ, GPA & SPA
			1,494	1,053	609	218	226	
SPA = Specific Plan Amendment			S = Single Family Homes		RZ = Rezoning			
GPA = General Plan Amendment			M = Multi-Family Homes		MND = Mitigated Negative Declarations			



### Student Demographics

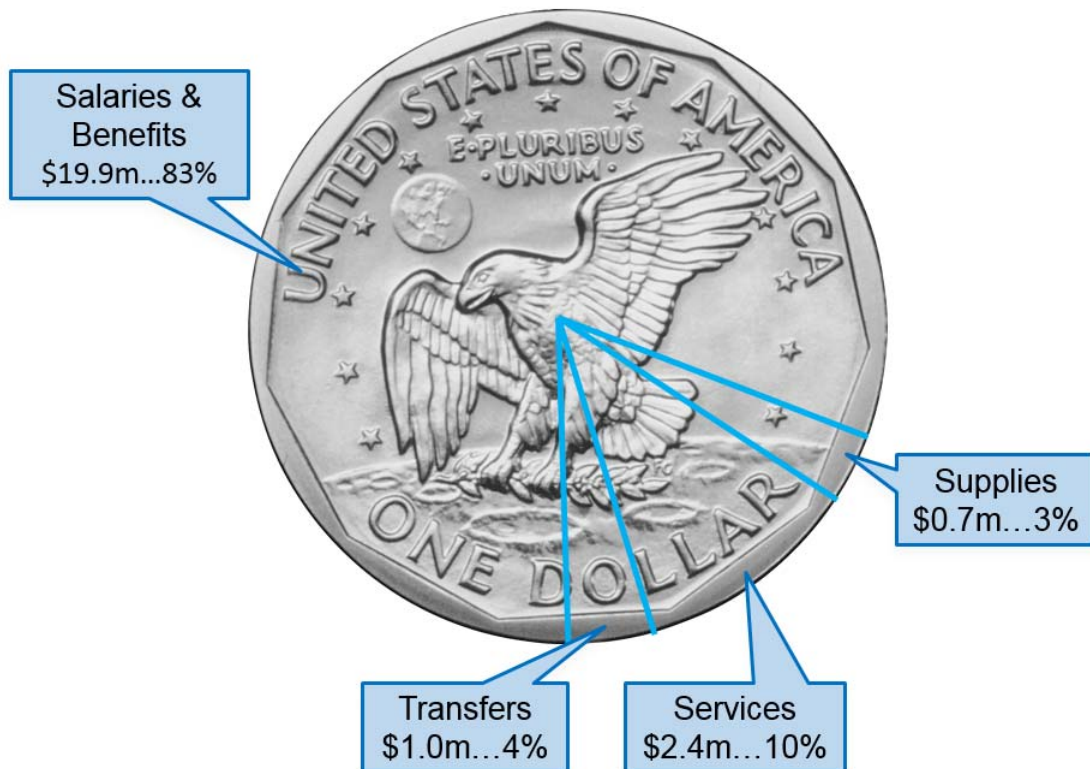
As with many districts in the State who have fewer low income and English learners in their student populations, Bonsall Unified School District receives very little funding above the adjusted base grant. The District's demographics are such that it does not receive any concentration grant funds due to the District's population of unduplicated students who qualify for the free or reduced lunch program and/or English learners at approximately 38%. The chart below depicts the composition of the District's learners:



### Expenditures

With the growing population at the middle and high schools has come the need for additional staffing, equipment and supplies. Like many districts in the State, the special education program continues to grow and require a contribution from the unrestricted general fund, which is estimated to be \$3.5 million for 2017-18. The District is utilizing \$197,048 of the General Fund to service the debt for a Certificate of Participation (COP). The District continues to invest in technology with a budget of \$644,692. Below is the breakdown of the District's \$23.9 million 2017/18 General Fund budget.





The District's leadership and governance team have generally embraced fiscally conservative strategies, and as necessary, have implemented courses of action to ensure financial solvency of the District.

The District will continue to review and modify its projections to ensure actions are taken as needed to maintain a healthy fiscal status, with respect to the primary goal of continuing to meet the educational needs of the students. A priority also remains for maintaining a strong reserve balance and vigilant cash management for the long-term protection of the District.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGERS**

This financial report is designed to provide 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 additional financial information, please contact:

William Pickering II  
Assistant Superintendent, Business and Administrative Services  
Bonsall Unified School District  
31505 Old River Road  
Bonsall, California 92003  
[William.pickering@bonsallusd.com](mailto:William.pickering@bonsallusd.com)

## Basic Financial Statements



**BONSALL UNIFIED SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,353,453	\$ 49,798	\$ 5,403,251
Receivables	746,961	187	747,148
Due From (To) Other Funds	45,175	(45,175)	-
Stores	8,266	-	8,266
Prepaid Expenses	35,050	-	35,050
Capital Assets:			
Land	5,513,370	-	5,513,370
Improvements	954,988	-	954,988
Buildings	56,713,224	-	56,713,224
Equipment	1,852,866	-	1,852,866
Work in Progress	372,684	-	372,684
Less Accumulated Depreciation	(15,449,674)	-	(15,449,674)
Total Assets	56,146,363	4,810	56,151,173
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	4,580,735	84,535	4,665,270
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	1,486,160	819	1,486,979
Deferred Revenue	36,794	-	36,794
Long-Term Liabilities:			
Due Within One Year	951,682	1,718	953,400
Due in More Than One Year	53,083,822	245,694	53,329,516
Total Liabilities	55,558,458	248,231	55,806,689
<b>DEFERRED INFLOWS OF RESOURCES</b>	577,847	34,733	612,580
<b>NET POSITION</b>			
Net Investment in Capital Assets	20,989,137	-	20,989,137
Restricted for:			
Capital Projects	326,549	-	326,549
Debt Service	869,658	-	869,658
Educational Programs	641,794	-	641,794
Other Purposes (Expendable)	56,609	3,991	60,600
Other Purposes (Nonexpendable)	165,766	-	165,766
Unrestricted	(18,458,720)	(197,610)	(18,656,332)
Total Net Position	\$ 4,590,793	\$ (193,619)	\$ 4,397,174

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction	\$ 18,679,818	\$ 345,224	\$ 2,123,685	\$ (16,210,909)	\$	\$ (16,210,909)
Instruction-Related Services:						
Instructional Supervision and Administration	656,711	9,514	56,363	(590,834)		(590,834)
Instructional Library, Media and Technology	193,863	-	1,840	(192,023)		(192,023)
School Site Administration	1,928,339	4,390	65,170	(1,858,779)		(1,858,779)
Pupil Services:						
Home-to-School Transportation	892,066	-	232	(891,834)		(891,834)
Food Services	695,336	165,456	446,898	(82,982)		(82,982)
All Other Pupil Services	1,573,464	51,367	745,026	(777,071)		(777,071)
General Administration:						
Centralized Data Processing	136,699	11,627	1,703	(123,369)		(123,369)
All Other General Administration	2,369,524	9,889	59,489	(2,300,146)		(2,300,146)
Plant Services	2,345,007	222,347	225,159	(1,897,501)		(1,897,501)
Ancillary Services	62,907	173	1,753	(60,981)		(60,981)
Community Services	57,112	-	-	(57,112)		(57,112)
Enterprise Activities	-	-	-	-		-
Interest on Long-Term Debt	1,118,948	-	-	(1,118,948)		(1,118,948)
Other Outgo	1,122,527	337,612	365,579	(419,336)		(419,336)
Business-Type Activities						
Enterprise Activities	597,053	-	1,288		(595,765)	(595,765)
Total Expenses	\$ 32,429,374	\$ 1,157,599	\$ 4,094,185	\$ (26,581,825)	\$ (595,765)	\$ (27,177,590)
General Revenues:						
Taxes and Subventions:						
Taxes Levied for General Purposes				10,446,308	-	10,446,308
Taxes Levied for Debt Service				921,794	-	921,794
Taxes Levied for Other Specific Purposes				(292)	-	(292)
Federal and State Aid Not Restricted to Specific Programs				10,044,032	-	10,044,032
Interest and Investment Earnings				40,637	831	41,468
Interagency Revenues				59,921	-	59,921
Miscellaneous				618,421	304,491	922,912
Internal Transfers				(122,000)	122,000	-
Total General Revenues, Special and Extraordinary items and Transfers				\$ 22,008,821	\$ 427,322	\$ 22,436,143
Change in Net Assets				(4,573,004)	(168,443)	(4,741,447)
Net Position Beginning, as Restated (see Note R)				9,163,797	(25,176)	9,138,621
Net Position Ending				\$ 4,590,793	\$ (193,619)	\$ 4,397,174

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Capital Facilities Fund
<b>ASSETS:</b>		
Cash in County Treasury	\$ 2,006,625	\$ 476,182
Cash on Hand and in Banks	2,500	-
Cash in Revolving Fund	147,500	-
Accounts Receivable	608,116	1,878
Due from Other Funds	287,649	210,000
Stores Inventories	-	-
Total Assets	<u>3,052,390</u>	<u>688,060</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 1,020,285	\$ 7,256
Due to Grantor Governments	153,068	-
Due to Other Funds	278,477	354,255
Unearned Revenue	36,794	-
Total Liabilities	<u>1,488,624</u>	<u>361,511</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	147,500	-
Stores Inventories	-	-
Restricted Fund Balances	397,083	326,549
Assigned Fund Balances	-	-
Unassigned:		
Other Unassigned	<u>1,019,183</u>	<u>-</u>
Total Fund Balance	<u>1,563,766</u>	<u>326,549</u>
Total Liabilities and Fund Balances	<u>\$ 3,052,390</u>	<u>\$ 688,060</u>

The accompanying notes are an integral part of this statement.

Capital Outlay Projects	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ 1,565,820	\$ 869,658	\$ 218,836	\$ 5,137,121
-	-	1,825	4,325
-	-	10,000	157,500
1,787	-	134,472	746,253
445,641	-	101,152	1,044,442
-	-	8,266	8,266
<u>2,013,248</u>	<u>869,658</u>	<u>474,551</u>	<u>7,097,907</u>
\$ 22,227	\$ -	\$ 21,310	\$ 1,071,078
-	-	6,904	159,972
333,180	-	125,947	1,091,859
-	-	-	36,794
<u>355,407</u>	<u>-</u>	<u>154,161</u>	<u>2,359,703</u>
-	-	10,000	157,500
-	-	8,266	8,266
-	-	219,830	943,462
1,657,841	869,658	82,294	2,609,793
-	-	-	1,019,183
<u>1,657,841</u>	<u>869,658</u>	<u>320,390</u>	<u>4,738,204</u>
\$ <u>2,013,248</u>	\$ <u>869,658</u>	\$ <u>474,551</u>	\$ <u>7,097,907</u>

**BONSALL UNIFIED SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

Total fund balances - governmental funds balance sheet \$ 4,738,204

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets relating to governmental activities, at historical cost:	65,407,132	
Accumulated depreciation:	(15,449,674)	
Net:		49,957,458

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in deferred outflows of resources on the statement of net position are: 35,050

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (255,112)

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

General obligation bonds payable	18,688,829	
Net pension liability	21,350,162	
Net OPEB obligation	3,634,147	
Compensated absences payable	82,874	
Certificates of participation payable	7,763,077	
Other general long-term debt	2,516,415	
Total:		(54,035,504)

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 100,762

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

Deferred Outflows of Resources Relating to Pensions	4,479,973
Deferred Inflows of Resources Relating to Pensions	(577,847)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:

147,809

Net position of governmental activities - Statement of Net Position

\$ 4,590,793

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Facilities Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 6,997,543	\$ -
Education Protection Account Funds	2,928,582	-
Local Sources	8,268,062	-
Federal Revenue	1,343,424	-
Other State Revenue	2,296,867	-
Other Local Revenue	2,297,707	460,120
Total Revenues	<u>24,132,185</u>	<u>460,120</u>
Expenditures:		
Current:		
Instruction	14,959,949	-
Instruction - Related Services	2,112,132	-
Pupil Services	2,044,971	-
Ancillary Services	57,674	-
General Administration	2,230,050	-
Plant Services	2,011,346	398,354
Other Outgo	1,119,520	1,650
Capital Outlay	259,733	26,524
Debt Service:		
Principal	163,549	220,000
Interest	33,500	305,081
Total Expenditures	<u>24,992,424</u>	<u>951,609</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(860,239)</u>	<u>(491,489)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(458,386)	-
Total Other Financing Sources (Uses)	<u>(458,386)</u>	<u>-</u>
Net Change in Fund Balance	(1,318,625)	(491,489)
Fund Balance, July 1	2,882,391	818,038
Fund Balance, June 30	<u>\$ 1,563,766</u>	<u>\$ 326,549</u>

The accompanying notes are an integral part of this statement.

Capital Outlay Projects	Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 369,106	\$ 7,366,649
-	-	129,238	3,057,820
-	-	366,314	8,634,376
-	-	466,776	1,810,200
-	6,511	54,119	2,357,497
148,413	919,426	329,111	4,154,777
<u>148,413</u>	<u>925,937</u>	<u>1,714,664</u>	<u>27,381,319</u>
-	-	644,787	15,604,736
-	-	289,490	2,401,622
-	-	678,277	2,723,248
-	-	-	57,674
-	-	21,821	2,251,871
(338,242)	-	116,750	2,188,208
-	-	-	1,121,170
1,955,755	-	-	2,242,012
-	454,355	-	837,904
-	415,158	-	753,739
<u>1,617,513</u>	<u>869,513</u>	<u>1,751,125</u>	<u>30,182,184</u>
(1,469,100)	56,424	(36,461)	(2,800,865)
638,117	-	84,853	722,970
-	-	(27,758)	(486,144)
<u>638,117</u>	<u>-</u>	<u>57,095</u>	<u>236,826</u>
(830,983)	56,424	20,634	(2,564,039)
2,488,824	813,234	299,756	7,302,243
<u>\$ 1,657,841</u>	<u>\$ 869,658</u>	<u>\$ 320,390</u>	<u>\$ 4,738,204</u>



**BONSALL UNIFIED SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ (2,564,039)

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

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

Expenditures for capital outlay	3,051,809	
Depreciation expense	(1,735,304)	
Net:		1,316,505

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 837,904

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (477,714)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (13,975)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (3,096,815)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (331,574)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is: 112,504

Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period was:

(1,356)

Internal service funds: Internal services funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(354,444)

Change in net position of governmental activities - Statement of Activities

\$ (4,573,004)

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

JUNE 30, 2017

	Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
<b>ASSETS:</b>		
Current Assets:		
Cash in County Treasury	\$ 49,798	\$ 54,506
Accounts Receivable	187	709
Due from Other Funds	122,000	398,860
Total Current Assets	171,985	454,075
Total Assets	171,985	454,075
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Outflows of Resources - Pension Related	84,535	-
Total Outflows of Resources	\$ 84,535	\$ -
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable	\$ 819	\$ -
Due to Other Funds	167,175	306,266
Total Current Liabilities	167,994	306,266
Noncurrent Liabilities:		
Net Pension Liability	185,479	-
Other Postemployment Benefits	60,215	-
Compensated Absences Payable	1,718	-
Total Noncurrent Liabilities	247,412	-
Total Liabilities	415,406	306,266
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources - Pension Related	34,733	-
Total Inflows of Resources	34,733	-
<b>NET POSITION:</b>		
Unrestricted (Deficit)	(193,619)	147,809
Total Net Position	\$ (193,619)	\$ 147,809

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Fund	Nonmajor Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
Operating Revenues:		
State Revenue	\$ 1,288	\$ -
Local Revenue	305,322	5,755
Total Revenues	<u>306,610</u>	<u>5,755</u>
Operating Expenses:		
Certificated Personnel Salaries	15,954	-
Classified Personnel Salaries	160,422	-
Employee Benefits	75,304	-
Books and Supplies	5,657	-
Services and Other Operating Expenses	339,716	1,373
Total Expenses	<u>597,053</u>	<u>1,373</u>
Income (Loss) before Contributions and Transfers	(290,443)	4,382
Interfund Transfers In	122,000	-
Interfund Transfers Out	-	(358,827)
Change in Net Position	<u>(168,443)</u>	<u>(354,445)</u>
Total Net Position - Beginning	(25,176)	502,254
Total Net Position - Ending	<u>\$ (193,619)</u>	<u>\$ 147,809</u>

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Enterprise Fund	Internal Service Fund
	Enterprise Fund	Self-Insurance Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 427,779	\$ -
Cash Received from Interfund Services Provided	-	4,680
Cash Payments to Employees for Services	(238,540)	-
Cash Payments to Other Suppliers for Goods and Services	(329,628)	(1,373)
Net Cash Provided (Used) by Operating Activities	(140,389)	3,307
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	878	368
Net Cash Provided (Used) for Investing Activities	878	368
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Interfund Loan	151,528	-
Repayment of Interfund Loan	(122,000)	48,579
Net Cash Provided (Used) for Financing Activities	29,528	48,579
Net Increase (Decrease) in Cash and Cash Equivalents	(109,983)	52,254
Cash and Cash Equivalents at Beginning of Year	159,781	2,252
Cash and Cash Equivalents at End of Year	\$ 49,798	\$ 54,506
<b>Reconciliation of Operating and Investing Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (168,443)	\$ (354,445)
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	45	(707)
Decrease (Increase) in Due from Other Funds	(122,000)	101,140
Decrease (Increase) in Deferred Outflows of Resources	(38,623)	-
Increase (Decrease) in Accounts Payable	98	-
Increase (Decrease) in Due to Other Funds	167,175	306,266
Increase (Decrease) in Net OPEB Obligation	5,491	-
Increase (Decrease) in Net Pension Liability	42,285	-
Increase (Decrease) in Compensated Absences	290	-
Increase (Decrease) in Deferred Outflows of Resources	3,699	-
Total Adjustments	58,460	406,699
Net Cash Provided (Used) by Operating and Investing Activities	\$ (109,983)	\$ 52,254

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2017

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 48,146
Total Assets	48,146
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 48,146
Total Liabilities	48,146
<b>NET POSITION:</b>	
Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

**2. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statement 14, 39 and 61.

**3. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Special Reserve for Capital Outlay Fund. This fund is used to account for the accumulation of resources to be used to acquire capital assets.

Capital Facilities Fund. This fund is 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).

Bond Interest and Redemption Fund. The fund is used to account for the collection of tax revenues and the repayment of general obligation bonds of the District.

The District reports the following major enterprise funds:

Enterprise Fund. This fund is used to account for the revenues and expenses associated with the District's Extended Student Services program which operates preschools and before/after school programs throughout the District.

In addition, the District reports the following fund types:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds. These funds are used to account for the proceeds from bond issuances and for the acquisition of capital assets of the district.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with average cost County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

f. 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.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's . Committed amounts cannot be used for any other purpose unless the removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the . Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the board of directors or by an official or body to which the board of directors delegates the authority. The board of directors has delegated authority to the assistant superintendent of business services. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

j. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 7% of the general fund operating expenses and other financing uses.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

11. Change in Accounting Policies

In February 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 72 Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the guidance under GASB Statement No. 72 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The District has implemented the guidance under GASB Statement No. 76 into their accounting policies effective for the fiscal year ending June 30, 2016.

In June 2015 the Governmental Accounting Standards Board (GASB) issued Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

This Statement also clarifies the application of certain provisions of Statement 67 and 68 with regard to the following issues:

- 1 Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- 2 Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- 3 Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The District has adopted the provisions of GASB Statement No. 73 effective for the year ending June 30, 2016.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Cash and Investments**

**1. Cash in County Treasury:**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$5,241,425 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$5,241,425. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$52,471 as of June 30, 2017) and in the revolving fund (\$157,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAAf/S1 by Standard & Poors. At year end the District was not exposed to credit risk.



**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2017, the District's bank balances (including revolving cash) of \$209,971 was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**D. Accounts Receivable**

Accounts receivable at June 30, 2017 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Governmental Funds				Total Governmental Funds
	General Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Nonmajor Governmental Funds	
Federal Government:					
Federal Programs	\$ 227,026	\$ -	\$ -	\$ 56,951	\$ 283,977
State Government:					
Lottery	219,130	-	-	9,558	228,688
Other	43,323	-	-	3,970	47,293
Local Sources:					
Interest	81,159	1,878	1,787	592	85,416
Other Local Revenues	37,478	-	-	63,401	100,879
Total	<u>\$ 608,116</u>	<u>\$ 1,878</u>	<u>\$ 1,787</u>	<u>\$ 134,472</u>	<u>\$ 746,253</u>
		Self Insurance Fund			
Local Sources:					
Interest	<u>\$ 187</u>	<u>\$ 709</u>			

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

E. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 5,464,553	\$ 48,817	\$ -	\$ 5,513,370
Work in progress	8,112,871	-	7,740,187	372,684
Total capital assets not being depreciated	<u>13,577,424</u>	<u>48,817</u>	<u>7,740,187</u>	<u>5,886,054</u>
Capital assets being depreciated:				
Buildings	46,540,479	10,172,745	-	56,713,224
Improvements	720,523	234,465	-	954,988
Equipment	1,516,897	335,969	-	1,852,866
Total capital assets being depreciated	<u>48,777,899</u>	<u>10,743,179</u>	<u>-</u>	<u>59,521,078</u>
Less accumulated depreciation for:				
Buildings	(12,554,914)	(1,477,922)	-	(14,032,836)
Improvements	(617,995)	(34,556)	-	(652,551)
Equipment	(541,461)	(222,826)	-	(764,287)
Total accumulated depreciation	<u>(13,714,370)</u>	<u>(1,735,304)</u>	<u>-</u>	<u>(15,449,674)</u>
Total capital assets being depreciated, net	<u>35,063,529</u>	<u>9,007,875</u>	<u>-</u>	<u>44,071,404</u>
Governmental activities capital assets, net	<u>\$ 48,640,953</u>	<u>\$ 9,056,692</u>	<u>\$ 7,740,187</u>	<u>\$ 49,957,458</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,513,146
Instruction-Related Services	6,680
Pupil Services	129,823
Community Services	57,112
General Administration	4,700
Plant Services	23,843
	<u>\$ 1,735,304</u>

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Charter School Fund	\$ 16,545	Temporary loan transfer
General Fund	Cafeteria Fund	22,398	Indirect costs
General Fund	Capital Facilities Fund	612	Transfer of credit card fees
General Fund	Enterprise Fund	15,647	Transfer of costs
General Fund	Special Reserve Fund	178,179	BHS 2 Story close out
General Fund	Self Insurance Fund	54,266	OPEB transfer
Charter School Fund	General Fund	85,559	Transfer of expenses
Cafeteria Fund	General Fund	15,594	Transfer of expenses
Capital Facilities Fund	Charter School Fund	80,000	Loan
Capital Facilities Fund	Self Insurance Fund	130,000	Loan
Special Reserve Fund	General Fund	91,999	Transfer of expenses
Special Reserve Fund	Capital Facilities Fund	353,642	Fund HS 2 Story
Enterprise Fund	Self Insurance fund	122,000	Loan
Self Insurance Fund	General Fund	85,328	OPEB transfer
Self Insurance Fund	Charter School Fund	4,310	OPEB transfer
Self Insurance Fund	Cafeteria Fund	2,694	OPEB transfer
Self Insurance Fund	Special Reserve Fund	155,000	BHS 2 Story close out
Self Insurance Fund	Enterprise Fund	151,528	Loan
	Total	\$ 1,565,301	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Charter School Fund	\$ 84,853	Charter School expenses
Charter School Fund	Special Reserve Fund	27,758	E-Rate match
General Fund	Special Reserve Fund	373,532	E-Rate, Capital Outlay
Self Insurance Fund	Special Reserve Fund	236,827	E-Rate, Capital Outlay
Self Insurance Fund	Enterprise Fund	122,000	Temporary loan
	Total	\$ 844,970	

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

H. Accounts Payable/Due to Grantor Governments

Accounts payable and due to grantor governments at June 30, 2017 consisted of:

Major Governmental Funds					
	General Fund	Special Reserve for Capital Outlay Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 821,905	\$ 22,227	\$ 7,256	\$ 1,453	\$ 852,841
Pension liability	152,455	-	-	8,503	160,958
Payroll and payroll taxes	45,925	-	-	11,354	57,279
Due Grantor Government	153,068	-	-	6,904	159,972
Total	<u>\$ 1,173,353</u>	<u>\$ 22,227</u>	<u>\$ 7,256</u>	<u>\$ 28,214</u>	<u>\$ 1,231,050</u>

	Enterprise Fund
Payroll and benefits	\$ 819
Total	<u>\$ 819</u>

I. Unearned Revenue

Unearned revenue at June 30, 2017 consisted of the following:

	General Fund
Federal Programs	
Title I	\$ 34,186
Title III	431
Indian Education	2,177
Total	<u>\$ 36,794</u>

J. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources. Additionally, deferred outflows of resources pension related include differences between expected and actual experience, change in proportionate share of the total net pension liability, and the net difference between projected and actual earnings on plan investments.

A summary of the deferred outflows of resources as of June 30, 2017 is as follows:

Description	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related - Governmental	Varies	\$ 3,622,750	\$ 3,096,870	\$ 2,239,647	\$ 4,479,973
Pension related - Business Type	Varies	45,912	70,644	32,020	84,536
Loss on 2015 Refunding Bond	14 Years	109,159	-	8,397	100,762
Total Deferred Outflows of Resources		<u>\$ 3,777,821</u>	<u>\$ 3,167,514</u>	<u>\$ 2,280,064</u>	<u>\$ 4,665,271</u>

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Pension Related		Refunding Loss	Total
	Governmental Activities Pension Related	Business Type Activities Pension Related		
2018	\$ 2,622,702	\$ 36,879	\$ 8,397	\$ 2,667,978
2019	801,108	18,593	8,397	828,098
2020	801,111	18,593	8,397	828,101
2021	255,052	10,471	8,397	273,920
2022	-	-	8,397	8,397
2023-2027	-	-	41,985	41,985
2028-2032	-	-	16,792	16,792
Total	\$ 4,479,973	\$ 84,536	\$ 100,762	\$ 4,665,271

**K. Deferred Inflows of Resources**

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2017 is as follows:

Description	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related - Governmental	Varies	\$ 834,516	\$ 4,365	\$ 261,034	\$ 577,847
Pension related - Business Type	Varies	31,034	16,723	13,024	34,733
Total Deferred Inflows of Resources		\$ 865,550	\$ 21,088	\$ 274,058	\$ 612,580

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related		Total
	Governmental Activities Pension Related	Business Type Activities Pension Related	
2018	\$ 261,035	\$ 13,024	\$ 274,059
2019	261,034	13,022	274,056
2020	54,905	5,344	60,249
2021	873	3,343	4,216
Total	\$ 577,847	\$ 34,733	\$ 612,580

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**L. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 14,488,853	\$ -	\$ 454,355	\$ 14,034,498	\$ 473,283
Accreted Interest	3,412,425	488,893	65,645	3,835,673	
Bond Premium	873,882	-	55,224	818,658	
QZAB payable	2,679,963	-	163,548	2,516,415	165,593
Certificates of participation	7,985,000	-	220,000	7,765,000	230,000
COPS-Discount	(1,991)	68	-	(1,923)	(68)
Net pension liability	17,139,455	7,268,188	3,057,481	21,350,162	-
Compensated absences *	68,899	13,975	-	82,874	82,874
Net OPEB obligation	3,302,573	423,904	92,330	3,634,147	-
Total governmental activities	\$ 49,949,059	\$ 8,195,028	\$ 4,108,583	\$ 54,035,504	\$ 951,682
<u>Business-type activities:</u>					
Net pension liability	\$ 143,195	\$ 83,370	\$ 41,086	\$ 185,479	-
Compensated absences *	1,428	290	-	1,718	1,718
Net OPEB Obligation	54,724	7,024	1,530	60,218	-
Total business-type activities	\$ 199,347	\$ 90,684	\$ 42,616	\$ 247,415	\$ 1,718

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Compensated absences	Business-type	Bond

**2. Qualified Zone Academy Bond Program (QZAB)**

March 12, 2014 the District entered into a QZAB lease agreement with Capital One Public Funding, LLC in the amount of \$3,000,000. The lease bears interest fixed at a rate of 1.25 percent and includes annual principal and interest payments due March 15 of each fiscal year through March 15, 2031.

Future commitments for the QZAB as of June 30, 2017 are as follows:

Year Ending June, 30	Principal	Interest	Total
2018	\$ 165,593	\$ 31,455	\$ 197,048
2019	167,663	29,385	197,048
2020	169,759	27,289	197,048
2021	171,881	25,167	197,048
2022	174,029	23,019	197,048
2023-2027	903,326	81,915	985,241
2028-2032	764,164	23,848	788,012
Totals	\$ 2,516,415	\$ 242,078	\$ 2,758,493

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

3. Certificates of Participation

On May 29, 2008 the Bonsall Union School District issued Certificates of Participation in the amount of \$2,075,000 plus premium of \$10,447 to finance capital improvements for the Bonsall Elementary School, to fund the reserve fund for the certificates, and to pay costs of delivery of the certificates. The certificates bear fixed interest rates ranging from 3.00% to 4.40%. The certificates have annual principal payments maturing September 1 each year with the first maturity on September 1, 2009 and the final maturity on September 1, 2028. The certificates were acquired by the Bonsall Unified School District in formation of the new District effective July 1, 2014. All maturities on the debt will be paid by the Bonsall Unified School District beginning in the 2014-15 fiscal year.

On July 9, 2015 the District issued Certificates of Participation in the amount of \$6,505,000 less discount of \$2,059 to finance the construction of a two story classroom building, acquire a municipal bond insurance policy and a debt service reserve insurance policy and pay costs of delivery of the certificates. The certificates bear fixed interest rates ranging from 2.00% to 4.00%. The certificates have annual principal payments maturing October 1 each year with the first principal paid on October 1, 2016 and the final maturity on October 1, 2045.

Future commitments for certificates of participation as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 230,000	\$ 300,719	\$ 530,719
2019	235,000	294,219	529,219
2020	245,000	287,519	532,519
2021	250,000	280,309	530,309
2022	255,000	272,999	527,999
2023-2027	1,420,000	1,205,507	2,625,507
2028-2032	1,210,000	950,981	2,160,981
2033-2037	1,155,000	714,044	1,869,044
2038-2042	1,410,000	458,700	1,868,700
2043-2047	1,355,000	142,519	1,497,519
Totals	<u>\$ 7,765,000</u>	<u>\$ 4,907,516</u>	<u>\$ 12,672,516</u>

4. General Obligation Bonds

As of June 30, 2017 General Obligation (GO) Bonds Payable consisted of:

	<u>Date of Issue*</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>
2005 Election, Series A	01/23/06	3.30 - 4.70%	02/01/31	\$ 8,920,243
2005 Election, Series B	01/25/07	3.52 - 4.58%	02/01/32	3,381,128
2005 Election, Series C	06/26/07	3.80 - 4.91%	08/01/39	4,698,309
2015 Refunding Bonds	06/10/15	0.40 - 3.56%	08/01/28	6,935,000
				<u>\$ 23,934,680</u>

\* Bonds issued prior to the 2014-15 fiscal year were issued by the Bonsall Union School District and were acquired by the Bonsall Unified School District during the 2014-15 fiscal year.



**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

	Amount Outstanding 07/01/16	Issued Current Year	Redeemed Current Year	Amount Outstanding 06/30/17
2005 Election, Series A				
Principal Balance	\$ 500,243	\$ -	\$ -	\$ 500,243
Premium	26,195	-	1,871	24,324
Accreted Interest	518,631	75,941	-	594,572
Total 2005 Series A	1,045,069	75,941	1,871	1,119,139
2005 Election, Series B				
Principal Balance	2,615,301	-	119,355	2,495,946
Premium	157,743	-	9,279	148,464
Accreted Interest	1,430,534	193,530	65,645	1,558,419
Total 2005 Series B	4,203,578	193,530	194,279	4,202,829
2005 Election, Series C				
Principal Balance	4,553,309	-	50,000	4,503,309
Premium	255,240	-	10,635	244,605
Accreted Interest	1,463,260	219,422	-	1,682,682
Total 2005 Series C	6,271,809	219,422	60,635	6,430,596
2015 Refunding Bonds				
Principal Balance	6,820,000	-	285,000	6,535,000
Premium	434,704	-	33,439	401,265
Total 2015 Refunding	7,254,704	-	318,439	6,936,265
Total GO Bonds	\$ 18,775,160	\$ 488,893	\$ 575,224	\$ 18,688,829

Future commitments for general obligation bonds as of June 30, 2017 are as follows:

Year Ending June 30, 2017	Principal	Accreted Interest	Interest	Total
2018	\$ 473,283	\$ 111,717	\$ 328,619	\$ 913,619
2019	519,885	125,115	313,950	958,950
2020	568,403	136,597	295,888	1,000,888
2021	624,945	145,055	274,882	1,044,882
2022	686,801	158,199	250,682	1,095,682
2023-2027	4,488,136	961,864	898,939	6,348,939
2028-2032	4,054,736	4,390,264	132,357	8,577,357
2033-2037	1,730,464	5,374,536	-	7,105,000
2038-2042	887,845	3,652,155	-	4,540,000
Totals	\$ 14,034,498	\$ 15,055,502	\$ 2,495,317	\$ 31,585,317

Accreted interest as reported on the debt summary schedule represents amounts that have accrued as of June 30, 2017. Amounts reported in the repayment schedule represent amounts that will come due once fully accrued.

**5. Compensated Absences**

Total District's governmental funds unpaid employee compensated absences as of June 30, 2017 amounted to \$82,874. This amount is included as part of long-term liabilities in the government-wide financial statements.

Total District's business type activities unpaid employee compensated absences as of June 30, 2017 amounted to \$1,718. This amount is included as part of long-term liabilities in the government-wide financial statements.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

6. Net Pension Liability

The District's governmental funds beginning net pension liability was \$17,139,455 and increased by \$4,210,707 during the year ended June 30, 2017. The ending net pension liability for the governmental funds at June 30, 2017 was \$21,350,162. See Note P for additional information regarding the net pension liability.

The District's business type activities beginning net pension liability was \$143,195 and increased by \$42,284 during the year ended June 30, 2017. The ending net pension liability for the business type activities at June 30, 2017 was \$185,479. See Note P for additional information regarding the net pension liability.

7. Net OPEB Liability

The District's governmental funds beginning net OPEB obligation was \$3,302,573 and increased during the year ended June 30, 2017 by \$331,574. The ending net OPEB liability for the governmental funds at June 30, 2017 was \$3,634,147. See Note Q for additional information regarding the net OPEB liability.

The District's business type activities beginning net OPEB obligation was \$54,724 and increased during the year ended June 30, 2017 by \$5,494. The ending net OPEB liability for the business type activities at June 30, 2017 was \$60,218. See Note Q for additional information regarding the net OPEB liability.

M. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Acts of God,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

The District has established a self-insurance fund for the purpose of accounting for other post employment benefits. The activities of the fund include payment of pay-as-you-go premiums for other post employment health insurance as well as recording of changes in the other post employment benefits liability.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**N. Commitments Under Noncapitalized Leases**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2017, as follows:

<u>Year Ending June 30,</u>	
2018	\$ 45,360
2019	45,360
2020	20,660
2021	315
Total Minimum Rentals	<u>\$ 111,695</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

**O. Joint Ventures (Joint Powers Agreements)**

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Financial information on the District's share of the SDCSRM JPA for the year ended June 30, 2017 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

**P. Pension Plans**

**1. General Information About the Pension Plans**

**a. Plan Descriptions**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

**b. Benefits Provided**

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%*	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	8.580%	8.580%

\*Amounts are limited to 120% of Social Security Wage Base.

\*\*The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%*	1.0 - 2.5%*
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

\*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. CalPERS

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. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date) the State contributed 8.580% of salaries creditable to CalSTRS. 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 excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	\$ 417,934
2016	7.126%	560,320
2017	8.580%	902,210

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	Governmental Activities		Business Type Activities		
	CalSTRS	CalPERS	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 1,100,501	\$ 338,039	\$ 440	\$ 12,988	\$ 1,451,968
Contributions - State	900,922	-	12,889	-	913,811
Total Contributions	<u>\$ 2,001,423</u>	<u>\$ 338,039</u>	<u>\$ 13,329</u>	<u>\$ 12,988</u>	<u>\$ 2,365,779</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Governmental Activities	Business Type Activities
	Proportionate Share of Net Pension Liability	Proportionate Share of Net Pension Liability
CalSTRS	\$ 16,696,501	\$ 6,677
CalPERS	4,653,661	178,802
Total Net Pension Liability	<u>\$ 21,350,162</u>	<u>\$ 185,479</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 were as follows:

	CalSTRS				
	District's Proportionate Share		State's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	
June 30, 2016	0.0206%	-	0.0102%	-	0.0308%
June 30, 2017	0.0206%	-	0.0105%	-	0.0311%
Change in Proportion	-	-	0.0003%	-	0.0003%

	CalPERS		
	District's Proportionate Share		Total for District Employees
	Governmental Activities	Business Type Activities	
June 30, 2016	0.0220%	0.0008%	0.0228%
June 30, 2017	0.0236%	0.0009%	0.0245%
Change in Proportion	0.0016%	0.0001%	0.0017%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	Governmental Activities		Business Type Activities		Total
	CalSTRS	CalPERS	CalSTRS	CalPERS	
Change in Net Pension Liability	\$ 2,794,861	\$ 1,415,846	\$ (15,603)	\$ 57,887	\$ 4,252,991
Increases/(Decreases) Resulting From Changes In Deferred Outflows & Deferred Inflows for:					
Contributions State On Behalf Payments	900,922	-	1,288	-	902,210
Contributions Made Subsequent to Measurement Date	(280,735)	(102,320)	(1,496)	(3,362)	(387,913)
Difference Between Actual & Expected Experience	(585)	(25,649)	(2)	(1,039)	(27,275)
Change in Assumptions	-	(53,508)	-	(1,998)	(55,506)
Change in Proportionate Shares	345,692	(168,278)	13,927	(9,277)	182,064
Net Difference Between Projected & Actual Earnings	(1,989)	(826,521)	-	(31,678)	(860,188)
Total Pension Expense	\$ 3,758,166	\$ 239,570	\$ (1,886)	\$ 10,533	\$ 4,006,383

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Pension contributions subsequent to measurement date	\$ 1,381,236	\$ 440,359	\$ -	\$ -
Differences between actual & expected experience	-	224,733	(3,041)	-
Changes in assumptions	-	-	-	(160,524)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	1,027,949	248,319	(3,042)	-
Net difference between projected and actual experience on plan investments	4,698	1,152,679	-	(411,239)
Total	<u>\$ 2,413,883</u>	<u>\$ 2,066,090</u>	<u>\$ (6,083)</u>	<u>\$ (571,763)</u>
	Business Type Activities			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Pension contributions subsequent to measurement date	\$ 1,936	\$ 16,350	\$ -	\$ -
Differences between actual & expected experience	-	8,474	(3)	-
Changes in assumptions	-	-	-	(5,995)
Change in employer's proportion and difference between the employer's contributions and the employer's proportionate share of contributions	1,648	12,266	(13,378)	-
Net difference between projected and actual experience on plan investments	4	43,858	-	(15,357)
Total	<u>\$ 3,588</u>	<u>\$ 80,948</u>	<u>\$ (13,381)</u>	<u>\$ (21,352)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Year Ended June 30	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 1,725,230	\$ 897,473	\$ (1,907)	\$ (259,128)	\$ 2,361,668
2019	343,994	457,114	(1,907)	(259,127)	540,074
2020	343,994	457,116	(1,397)	(53,508)	746,205
2021	665	254,387	(872)	-	254,180
Total	\$ 2,413,883	\$ 2,066,090	\$ (6,083)	\$ (571,763)	\$ 3,902,127

Year Ended June 30	Business Type Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 2,486	\$ 34,393	\$ (3,347)	\$ (9,677)	\$ 23,855
2019	550	18,043	(3,346)	(9,676)	5,571
2020	551	18,042	(3,345)	(1,999)	13,249
2021	1	10,470	(3,343)	-	7,128
Total	\$ 3,588	\$ 80,948	\$ (13,381)	\$ (21,352)	\$ 49,803

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date Measurement Date Actuarial Cost Method Actuarial Assumptions:	CalSTRS	CalPERS
	June 30, 2015 June 30, 2016 Entry Age - Normal Cost Method for both CalSTRS & CalPERS	June 30, 2015 June 30, 2016
Discount Rate	7.65%	7.60%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.65% (2)	7.60% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment  
(2) Net of pension plan investment expenses, including inflation  
(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 0.000% for CalSTRS and 0.000% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.



**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and 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 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

CalSTRS		
Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

\*20 year geometric average used for long term expected real rate of return

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

CalPERS			
Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Governmental Activities		Business Type Activities	
	CalSTRS	CalPERS	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%	6.60%	6.65%
Net Pension Liability	\$ 24,030,030	\$ 6,943,287	\$ 9,608	\$ 266,772
Current Discount Rate	7.60%	7.65%	7.60%	7.65%
Net Pension Liability	\$ 16,696,501	\$ 4,653,661	\$ 6,677	\$ 178,802
1% Increase	8.60%	8.65%	8.60%	8.65%
Net Pension Liability	\$ 10,605,698	\$ 2,747,098	\$ 4,240	\$ 105,548

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS-Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2016 (Previously Reported)	\$ 79,943,738	\$ 59,175,059	\$ 20,768,679	\$ 6,867,039	\$ 13,901,640
Changes for the year:					
Change in Proportionate share	762,801	564,632	198,169	201,972	(3,803)
Service Cost	1,829,354	-	1,829,354	616,770	1,212,584
Interest	6,020,611	-	6,020,611	2,029,860	3,990,751
Differences between expected and actual experience	(376,522)	-	(376,522)	(126,945)	(249,577)
Contributions:					
Employer	-	1,056,112	(1,056,112)	(356,070)	(700,042)
Employee	-	921,053	(921,053)	(310,535)	(610,518)
State On Behalf Payments	-	604,148	(604,148)	(203,690)	(400,458)
Net Investment Income	-	717,839	(717,839)	(242,021)	(475,818)
Other Income	-	12,930	(12,930)	(4,359)	(8,571)
Benefit Payments, including refunds of employee contributions	(4,094,887)	(4,094,887)	-	-	-
Administrative expenses	-	(56,075)	56,075	18,906	37,169
Other Expenses	-	(4,743)	4,743	1,599	3,144
Net Changes	4,141,357	(278,991)	4,420,348	1,625,487	2,794,861
Balance at June 30, 2016	\$ 84,085,095	\$ 59,896,068	\$ 25,189,027	\$ 8,492,526	\$ 16,696,501

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

CalSTRS - Business Type Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2016 (Previously Reported)	\$ 85,759	\$ 63,479	\$ 22,280	\$ -	\$ 22,280
Changes for the year:					
Change in Proportionate share	(64,370)	(47,647)	(16,723)	-	(16,723)
Service Cost	485	-	485	-	485
Interest	1,596	-	1,596	-	1,596
Differences between expected and actual experience	(100)	-	(100)	-	(100)
Contributions:					
Employer	-	280	(280)	-	(280)
Employee	-	244	(244)	-	(244)
State On Behalf Payments	-	160	(160)	-	(160)
Net Investment Income	-	190	(190)	-	(190)
Other Income	-	3	(3)	-	(3)
Benefit Payments, including refunds of employee contributions	(1,085)	(1,085)	-	-	-
Administrative expenses	-	(15)	15	-	15
Other Expenses	-	(1)	1	-	1
Net Changes	(63,474)	(47,871)	(15,603)	-	(15,603)
Balance at June 30, 2016	\$ 22,285	\$ 15,608	\$ 6,877	\$ -	\$ 6,877

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

CalPERS-Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)"	\$ 15,738,918	\$ 12,501,103	\$ 3,237,815
Changes for the year:			
Adjustment for Change in Proportionate Share	1,144,077	908,717	235,360
Service Cost	404,497	-	404,497
Interest	1,282,266	-	1,282,266
Differences between expected and actual experience	94,275	-	94,275
Changes in Assumptions	-	-	-
Contributions - Employer	-	338,039	(338,039)
Contributions - Employee	-	200,551	(200,551)
Net Plan to Plan Resource Movement	-	2	(2)
Net Investment Income	-	70,102	(70,102)
Benefit Payments, including refunds of employee contributions	(835,733)	(835,733)	-
Administrative expenses	-	(8,142)	8,142
Net Changes	2,089,382	673,536	1,415,846
Balance at June 30, 2016	<u>\$ 17,828,300</u>	<u>\$ 13,174,639</u>	<u>\$ 4,653,661</u>

CalPERS-Business Type Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 587,764	\$ 466,849	\$ 120,915
Changes for the year:			
Adjustment for Change in Proportionate Share	60,908	48,378	12,530
Service Cost	15,541	-	15,541
Interest	49,267	-	49,267
Differences between expected and actual experience	3,622	-	3,622
Changes in Assumptions	-	-	-
Contributions - Employer	-	12,988	(12,988)
Contributions - Employee	-	7,705	(7,705)
Net Plan to Plan Resource Movement	-	-	-
Net Investment Income	-	2,693	(2,693)
Benefit Payments, including refunds of employee contributions	(32,110)	(32,110)	-
Administrative expenses	-	(313)	313
Net Changes	97,228	39,341	57,887
Balance at June 30, 2016	<u>\$ 684,992</u>	<u>\$ 506,160</u>	<u>\$ 178,832</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**Q. Postemployment Benefits Other Than Pension Benefits**

**Plan Description**

The Bonsall Unified School District (District) administers a single-employer healthcare plan (Plan). The plan provides a contribution towards retiree health benefits to age 65 to 12 retired employees as of January 2014. In addition, there are approximately 184 active employees earning service credit towards eligibility for a District contribution at retirement. To be eligible for retiree health benefits, an employee must retire from PERS/STRS on or after age 55 with at least 10 years of Districty eligible service. The District's contribution percentage is based on an employee's age and years of service at retirement (50% to 100%) and is applied to the cost of retiree-only health coverage (HMO coverage for medical).

**Contribution information**

As of the valuation date, the District does not have any funds eligible as plan assets under GASB 45. Under GASB 45, assets cannot be considered as employee contributions or plan assets unless they are segregated for exclusive use for retiree health benefit payments and secured from creditors of the District.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 457,788	\$ 7,586	\$ 465,374
Interest on net OPEB obligation	33,819	560	34,379
Adjustment to annual required contribution	(67,700)	(1,125)	(68,825)
Annual OPEB cost (expense)	423,907	7,021	430,928
Contribution made	(92,330)	(1,530)	(93,860)
Increase in net OPEB obligation	331,577	5,491	337,068
Net OPEB obligation, beginning of year	3,302,573	54,724	3,357,297
Net OPEB obligation, end of year	\$ 3,634,150	\$ 60,215	\$ 3,694,365

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for June 30, 2017, 2016 and 2015 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2017	\$ 430,928	21.8%	\$ 3,694,365
2016	455,425	16.2%	3,357,297
2015	444,338	19.3%	2,975,614

**Funding Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used was Projected Unit Credit with service prorated. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after four years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2017 of 23 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

**R. Adjustment to Beginning Net Position**

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability, any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. The combination of changes due to accounting policies resulted in an adjustment to beginning net position as follows:

	Governmental Activities	Business-Type Activities
Net Position, Beginning (As Originally Stated)	\$ 8,976,867	\$ 159,293
Adjustments for:		
Change in Accounting Policy - Net Pension Liability	176,171	(143,195)
Deferred Outflows of Resources - Pension Related Corrections	(79,191)	45,912
Deferred Inflows of Resources - Pension Related Corrections	33,798	(31,034)
Compensated Absences - Corrections	1,428	(1,428)
OPEB Liability - Corrections	54,724	(54,724)
Net Position, Beginning (As Restated)	\$ 9,163,797	\$ (25,176)



**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

S. Components of Ending Fund Balance

As of June 30, 2017 ending fund balance consisted of the following:

	Major Governmental Funds				Nonmajor Governmental Funds
	General Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Bond Interest and Redemption Fund	
Nonspendable Fund Balances					
Revolving Cash	\$ 147,500	\$ -	\$ -	\$ -	\$ 10,000
Stores Inventories	-	-	-	-	8,266
Restricted Fund Balances					
California Clean Energy	43,548	-	-	-	-
Special Education	67,250	-	-	-	-
Lottery	26,577	-	-	-	-
Medi-Cal Billing Option	128,099	-	-	-	-
Charter School	-	-	-	-	18,277
Child Nutrition	-	-	-	-	201,553
College Readiness Block Grant	75,000	-	-	-	-
Capital Projects	-	326,549	-	-	-
Other	56,609	-	-	-	-
Assigned Fund Balances					
Capital Projects	-	-	1,657,841	-	-
Charter School	-	-	-	-	804
Debt Service	-	-	-	869,658	-
Child Nutrition	-	-	-	-	81,490
Unassigned Fund Balances					
Unappropriated	1,019,183	-	-	-	-
Total Fund Balance	<u>\$ 1,563,766</u>	<u>\$ 326,549</u>	<u>\$ 1,657,841</u>	<u>\$ 869,658</u>	<u>\$ 320,390</u>

T. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

U. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB 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 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 scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable splitinterest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB 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:

1. 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.
2. Reporting amounts previously reported as goodwill and “negative” goodwill
3. Classifying real estate held by insurance entities
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB
9. Simplifying certain aspects of the alternative measurement method for OPEB
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB 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.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an insubstance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**BONSALL UNIFIED SCHOOL DISTRICT****EXHIBIT B-1**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 7,864,175	\$ 7,151,859	\$ 6,997,543	\$ (154,316)
Education Protection Account Funds	2,947,349	2,928,582	2,928,582	-
Local Sources	7,174,656	8,113,748	8,268,062	154,314
Federal Revenue	1,185,728	1,555,812	1,343,424	(212,388)
Other State Revenue	1,576,371	2,296,868	2,296,867	(1)
Other Local Revenue	2,256,815	2,307,662	2,297,707	(9,955)
Total Revenues	<u>23,005,094</u>	<u>24,354,531</u>	<u>24,132,185</u>	<u>(222,346)</u>
Expenditures:				
Current:				
Certificated Salaries	10,330,666	10,724,972	10,721,585	3,387
Classified Salaries	3,147,430	3,315,139	3,298,327	16,812
Employee Benefits	4,970,057	5,429,350	5,421,324	8,026
Books And Supplies	551,728	980,203	794,327	185,876
Services And Other Operating Expenditures	2,591,149	3,206,511	3,203,993	2,518
Other Outgo	281,956	1,113,508	1,117,793	(4,285)
Direct Support/Indirect Costs	-	-	(21,707)	21,707
Capital Outlay	-	259,738	259,733	5
Debt Service:				
Principal	-	163,549	163,549	-
Interest	-	33,500	33,500	-
Total Expenditures	<u>21,872,986</u>	<u>25,226,470</u>	<u>24,992,424</u>	<u>234,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,132,108</u>	<u>(871,939)</u>	<u>(860,239)</u>	<u>11,700</u>
Other Financing Sources (Uses):				
Transfers In	-	474,370	-	(474,370)
Transfers Out	(845,000)	(484,047)	(458,386)	25,661
Total Other Financing Sources (Uses)	<u>(845,000)</u>	<u>(9,677)</u>	<u>(458,386)</u>	<u>(448,709)</u>
Net Change in Fund Balance	287,108	(881,616)	(1,318,625)	(437,009)
Fund Balance, July 1	2,882,391	2,882,391	2,882,391	-
Fund Balance, June 30	<u>\$ 3,169,499</u>	<u>\$ 2,000,775</u>	<u>\$ 1,563,766</u>	<u>\$ (437,009)</u>

See Accompanying Notes to Required Supplementary Information.

**BONSALL UNIFIED SCHOOL DISTRICT**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS-HEALTH BENEFIT PLAN  
BONSALL UNIFIED SCHOOL DISTRICT  
YEAR ENDED JUNE 30, 2017

**EXHIBIT B-2**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/01/14	\$ -	\$ 2,616,910	\$ 2,616,910	-	\$ 9,975,000	26.2%

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***  
**GOVERNMENTAL ACTIVITIES**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0206%	0.0206%	0.0177%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 16,696,501	\$ 13,901,640	\$ 10,353,307	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	8,492,526	6,867,039	5,960,556	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 25,189,027</u>	<u>\$ 20,768,679</u>	<u>\$ 16,313,863</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
District's covered-employee payroll	\$ 10,979,615	\$ 10,256,297	\$ 9,542,230	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	152.07%	135.54%	108.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information



**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***  
**GOVERNMENTAL ACTIVITIES**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,381,236	\$ 1,100,501	\$ 847,350	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(1,381,236)	(1,100,501)	(847,350)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 10,979,615	\$ 10,256,297	\$ 9,542,230	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***  
**GOVERNMENTAL ACTIVITIES**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0236%	0.0220%	0.0211%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 4,653,661	\$ 3,237,815	\$ 2,393,628	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 3,170,786	\$ 2,853,372	\$ 2,442,767	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	146.77%	113.47%	97.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***  
**GOVERNMENTAL ACTIVITIES**

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 440,359	\$ 338,039	\$ 287,538	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(440,359)	(338,039)	(287,538)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 3,170,786	\$ 2,853,372	\$ 2,442,767	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*  
 BUSINESS TYPE ACTIVITIES

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0000008%	0.0000033%	0.0000028%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 6,677	\$ 22,279	\$ 16,593	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ 6,677	\$ 22,279	\$ 16,593	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 15,390	\$ 4,101	\$ 15,293	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.39%	543.26%	108.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***  
**BUSINESS TYPE ACTIVITIES**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 1,936 \$	440 \$	1,358 \$	N/A	\$	N/A	\$	N/A	\$	N/A
Contributions in relation to the contractually required contribution	(1,936)	(440)	(1,358)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ - \$	- \$	- \$	N/A	\$	N/A	\$	N/A	\$	N/A
District's covered-employee payroll	\$ 15,390 \$	4,101 \$	15,293 \$	N/A	\$	N/A	\$	N/A	\$	N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*  
 BUSINESS TYPE ACTIVITIES

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0009%	0.0008%	0.0008%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 178,802	\$ 120,915	\$ 89,389	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 117,728	\$ 109,631	\$ 91,224	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	151.88%	110.29%	97.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**CALIFORNIA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***  
**BUSINESS TYPE ACTIVITIES**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 16,350	\$ 12,988	\$ 10,738	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the contractually required contribution	(16,350)	(12,988)	(10,738)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's covered-employee payroll	\$ 117,728	\$ 109,631	\$ 91,224	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

**BONSALL UNIFIED SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Other Outgo	\$ 4,285	Unanticipated costs

Schedule of District's Proportionate Share - California State Teachers Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Valuation Date</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.



## Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**BONSALL UNIFIED SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2017

	Charter School Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
<b>ASSETS:</b>			
Cash in County Treasury	\$ 19,204	\$ 199,632	\$ 218,836
Cash on Hand and in Banks	-	1,825	1,825
Cash in Revolving Fund	-	10,000	10,000
Accounts Receivable	41,847	92,625	134,472
Due from Other Funds	85,558	15,594	101,152
Stores Inventories	-	8,266	8,266
Total Assets	<u>146,609</u>	<u>327,942</u>	<u>474,551</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 19,769	\$ 1,541	\$ 21,310
Due to Grantor Governments	6,904	-	6,904
Due to Other Funds	100,855	25,092	125,947
Total Liabilities	<u>127,528</u>	<u>26,633</u>	<u>154,161</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	-	10,000	10,000
Stores Inventories	-	8,266	8,266
Restricted Fund Balances	18,277	201,553	219,830
Assigned Fund Balances	804	81,490	82,294
Total Fund Balance	<u>19,081</u>	<u>301,309</u>	<u>320,390</u>
Total Liabilities and Fund Balances	<u>\$ 146,609</u>	<u>\$ 327,942</u>	<u>\$ 474,551</u>

**BONSALL UNIFIED SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Charter School Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	\$ 369,106	\$ -	\$ 369,106
Education Protection Account Funds	129,238	-	129,238
Local Sources	366,314	-	366,314
Federal Revenue	-	466,776	466,776
Other State Revenue	91,206	(37,087)	54,119
Other Local Revenue	83,697	245,414	329,111
Total Revenues	<u>1,039,561</u>	<u>675,103</u>	<u>1,714,664</u>
Expenditures:			
Current:			
Instruction	644,787	-	644,787
Instruction - Related Services	289,490	-	289,490
Pupil Services	48,474	629,803	678,277
General Administration	114	21,707	21,821
Plant Services	115,796	954	116,750
Total Expenditures	<u>1,098,661</u>	<u>652,464</u>	<u>1,751,125</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,100)</u>	<u>22,639</u>	<u>(36,461)</u>
Other Financing Sources (Uses):			
Transfers In	84,853	-	84,853
Transfers Out	(27,758)	-	(27,758)
Total Other Financing Sources (Uses)	<u>57,095</u>	<u>-</u>	<u>57,095</u>
Net Change in Fund Balance	(2,005)	22,639	20,634
Fund Balance, July 1	21,086	278,670	299,756
Fund Balance, June 30	<u>\$ 19,081</u>	<u>\$ 301,309</u>	<u>\$ 320,390</u>

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

## Supplementary Information Section

# BONSALL UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2017

Bonsall Union School District was established July 25, 1919 and is located in San Diego County. On July 1, 2014 the Bonsall Union School District was reorganized as the Bonsall Unified School District. The District operates five (5) schools including Bonsall Elementary School with grades Kindergarten through grade 5, Bonsall West Elementary with grades Kindergarten through 6th grade, Normal L. Sullivan Middle School with grades 6 through 8, Vivian Banks Elementary Charter School with grades kindergarten through grade 5, and Bonsall High School. For the year ended June 30, 2017 Bonsall High School had grades 9-11. (Additional grades added in out-years, one grade per year).

## Governing Board

Name	Office	Term and Term Expiration
Timothy Coen, M.D.	President	Four Year Term Expiring June 2018
Erin English, Ed.D.	Clerk	Four Year Term Expiring June 2020
Lou Riddle	Member	Four Year Term Expiring June 2018
Sylvia Tucker, Ed.D.	Member	Four Year Term Expiring June 2018
Richard Olson	Member	Four Year Term Expiring June 2020

## Administration

Justin Cunningham, Ed.D.  
Superintendent

William Pickering II  
Assistant Superintendent  
Business and Administrative  
Services

**BONSALL UNIFIED SCHOOL DISTRICT**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
YEAR ENDED JUNE 30, 2017**TABLE D-1****Bonsall Unified School District**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	941.85	N/A	941.94	N/A
Extended Year Special Education	1.20	N/A	1.20	N/A
Community Day School	-	N/A	0.44	N/A
TK/K-3 Totals	943.05	N/A	943.58	N/A
Grades 4-6:				
Regular ADA	687.10	N/A	689.40	N/A
Community Day School	-	N/A	1.14	N/A
Nonpublic, Nonsectarian Schools	-	N/A	0.07	N/A
Extended Year Special Education	1.07	N/A	0.81	N/A
Grades 4-6 Totals	688.17	N/A	691.42	N/A
Grades 7 and 8:				
Regular ADA	403.52	N/A	397.69	N/A
Extended Year Special Education	0.63	N/A	0.63	N/A
Grades 7 and 8 Totals	404.15	N/A	398.32	N/A
Grade 9-11:				
Regular ADA	215.64	N/A	214.73	N/A
Extended Year Special Education	0.14	N/A	0.14	N/A
Nonpublic, Nonsectarian Schools	0.91	N/A	0.91	N/A
Grades 9-11 Totals	216.69	N/A	215.78	N/A
ADA Totals	2,252.06	N/A	2,249.10	N/A

**Vivian Banks Charter School**

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Classroom Based	69.67	N/A	69.67	N/A
Grades 4-5:				
Regular ADA - Classroom Based	32.06	N/A	32.05	N/A
ADA Totals	101.73	N/A	101.72	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.



**BONSALL UNIFIED SCHOOL DISTRICT**  
 SCHEDULE OF INSTRUCTIONAL TIME  
 YEAR ENDED JUNE 30, 2017

**TABLE D-2**

**Bonsall Unified School District**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	58,900	180	-	Complied
Grade 1	50,400	58,000	180	-	Complied
Grade 2	50,400	58,000	180	-	Complied
Grade 3	50,400	58,000	180	-	Complied
Grade 4	54,000	58,000	180	-	Complied
Grade 5	54,000	58,000	180	-	Complied
Grade 6	54,000	61,740	180	-	Complied
Grade 7	54,000	61,740	180	-	Complied
Grade 8	54,000	61,740	180	-	Complied
Grade 9	64,800	66,675	180	-	Complied
Grade 10	64,800	66,675	180	-	Complied
Grade 11	64,800	66,675	180	-	Complied

**Vivian Banks Charter School**

Kindergarten	36,000	58,500	180	-	Complied
Grade 1	50,400	56,700	180	-	Complied
Grade 2	50,400	56,700	180	-	Complied
Grade 3	50,400	56,700	180	-	Complied
Grade 4	54,000	56,700	180	-	Complied
Grade 5	54,000	56,700	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its target funding.

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**TABLE D-3**

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	\$ 23,508,397	\$ 24,132,185	\$ 23,488,206	\$ 24,642,221
Expenditures	23,856,092	24,992,424	22,533,447	21,709,544
Other uses and transfers out	117,000	458,386	975,045	30,000
Total outgo	23,973,092	25,450,810	23,508,492	21,739,544
Change in fund balance (deficit)	(464,695)	(1,318,625)	(20,286)	2,902,677
Ending fund balance	\$ 1,099,071	\$ 1,563,766	\$ 2,882,391	\$ 2,902,677
Available reserves (See Note 2)	\$ 711,709	\$ 1,019,183	\$ 2,337,357	\$ 2,632,565
Available reserves as a percentage of total outgo (See Note 2)	3.0%	4.0%	9.9%	12.1%
Total long-term debt	\$ 53,083,822	\$ 54,035,504	\$ 50,141,382	\$ 39,516,681
Average daily attendance at P-2	2,354	2,354	2,279	2,185

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.

The fund balance of the general fund has increased by \$1,563,766 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$464,695. For a district of this size, the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo),

Long-term debt has increased by \$14,518,823 over the past three years since the District was unified.

Average daily attendance (ADA) has increased by 169 over the past two years since the District was unified. ADA includes both the District and the Charter school.

**NOTES:**

1. Budget 2017 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

**BONSALL UNIFIED SCHOOL DISTRICT**  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

**TABLE D-4**

	Schedule of Long-Term Liabilities
June 30, 2017, annual financial and budget report total liabilities	\$ <u>49,815,761</u>
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net OPEB obligation understatement	337,068
Net pension liability understatement	4,220,015
Compensated absences understatement	(1,644)
Other general long-term debt overstatement	(2,018)
General obligation bonds overstatement	(86,331)
COP's payable understatement	<u>68</u>
Net adjustments and reclassifications	<u>4,467,158</u>
June 30, 2017, audited financial statement total liabilities	\$ <u><u>54,282,919</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

The Bonsall Unified School District has one Charter School that it is the chartering agency for:

<u>Charter Schools</u>	<u>Included In Audit?</u>
Vivian Banks Charter School (#104)	Yes
Pathways Academy Charter (#1767)	No

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**TABLE D-6**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 765,548
National School Lunch Program Section 4	10.555	13523	-	60,000
Total Passed Through State Department of Education			-	825,548
Total U. S. Department of Agriculture			-	825,548
Total Child Nutrition Cluster			-	825,548
<b>MEDICAID CLUSTER:</b>				
<u>U. S. Department of Health and Human Services</u>				
Direct Program:				
Medi-Cal MAA	93.778	-	-	89,930
Total U. S. Department of Health and Human Services			-	89,930
Total Medicaid Cluster			-	89,930
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education-IDEA Basic Local Assistance	84.027	13379	-	426,290
Special Education-IDEA Preschool Local	84.027A	13682	-	37,049
Special Education-IDEA Mental Health	84.027A	14468	-	33,204
Special Education-IDEA Preschool Grants	84.173	13430	-	17,765
Total Passed Through State Department of Education			-	514,308
Total U. S. Department of Education			-	514,308
Total Special Education (IDEA) Cluster			-	514,308
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of the Interior</u>				
Direct Program:				
Johnson O'Malley	15.024	-	-	74,986
Total U. S. Department of the Interior			-	74,986

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**TABLE D-6**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Education</u>				
Direct Program:				
Impact Aid - P.L. 81.874	84.041	-	-	505,575
Passed Through State Department of Education:				
Title I	84.010	14329	-	108,958
Indian Education	84.060	10011	-	26,551
Title III-LEP	84.365	14346	-	33,146
Title III-Immigrant Education	84.365	15146	-	852
Title II-Teacher Quality	84.367	14341	-	42,721
Total Passed Through State Department of Education			-	212,228
Total U. S. Department of Education			-	717,803
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 2,222,575

The accompanying notes are an integral part of this schedule.

## BONSALL UNIFIED SCHOOL DISTRICT

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Bonsall Unified School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 9.33% rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title I Part A	84.010	8.03%
Title II Teacher Quality	84.307	9.15%
Title III LEP	84.365	1.81%
Child Nutrition Cluster	10.553, 10.555, 10.556	3.46%

#### Schoolwide Program

The District operates "schoolwide programs" at Vivian Banks Charter School. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program:

Program	CFDA #	Amount Expended
Title I Part A	84.010	108,958

## Other Independent Auditor's Reports



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*

Board of Trustees  
Bonsall Unified School District  
Bonsall, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bonsall Unified School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Bonsall Unified School District's basic financial statements, and have issued our report thereon dated January 30, 2018.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

## Purpose of this Report

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

*Wilkinson Hobbly King & Co., LLP*

El Cajon, California  
January 30, 2018

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Bonsall Unified School District  
Bonsall, California

Members of the Board of Trustees:

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

We have audited the Bonsall Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Bonsall Unified School District's major federal programs for the year ended June 30, 2017. Bonsall Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Bonsall 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 the Bonsall 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 the Bonsall Unified School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Bonsall 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, 2017.

## Report on Internal Control Over Compliance

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

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

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
January 30, 2018

## **Independent Auditor's Report on State Compliance**

Board of Trustees  
Bonsall Unified School District  
Bonsall, California

Members of the Board of Trustees:

### **Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2017.

### **Management's Responsibility for State Compliance**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. 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 State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide 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 direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
--------------------------------	---

### **LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:

Attendance Reporting .....	Yes
Teacher Certification and Misassignments .....	Yes
Kindergarten Continuance .....	Yes
Independent Study .....	N/A
Continuation Education .....	N/A

Instructional Time .....	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers .....	Yes
Classroom Teacher Salaries .....	Yes
Early Retirement Incentive .....	N/A
GANN Limit Calculation .....	Yes
School Accountability Report Card .....	Yes
Juvenile Court Schools .....	N/A
Middle or Early College High Schools .....	N/A
K-3 Grade Span Adjustment .....	Yes
Transportation Maintenance of Effort .....	Yes
Mental Health Expenditures .....	Yes

**SCHOOL DISTRICTS, COUNTY OFFICES OF  
EDUCATION, AND CHARTER SCHOOLS:**

Educator Effectiveness .....	Yes
California Clean Energy Jobs Act .....	Yes
After School Education and Safety Program:	
After School .....	Yes
Before School .....	N/A
General Requirements .....	Yes
Proper Expenditure of Education Protection Account Funds .....	Yes
Unduplicated Local Control Funding Formula Pupil Counts .....	Yes
Local Control and Accountability Plan .....	Yes
Independent Study-Course Based .....	N/A
Immunizations .....	N/A

**CHARTER SCHOOLS:**

Attendance .....	Yes
Mode of Instruction .....	Yes
Nonclassroom-Based Instruction/Independent Study .....	N/A
Determination of Funding for Nonclassroom-Based Instruction .....	N/A
Annual Instructional Minutes - Classroom Based .....	Yes
Charter School Facility Grant Program .....	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

**Opinion on State Compliance**

In our opinion, Bonsall Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hobbie King & Co., LLP*

El Cajon, California  
January 30, 2018

## Findings and Recommendations Section



**BONSALL UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

84.027, 84.173	Special Education Cluster
----------------	---------------------------

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?        Yes   X   No

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

**BONSALL UNIFIED SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**D. State Award Findings and Questioned Costs**

NONE

**BONSALL UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2016-001 (30000) US Bank Account</p> <p>In our review of cash, one investment account was not being reconciled to the District's general ledger timely.</p> <p>Implement procedures to ensure that all bank statements are being reconciled monthly.</p>	Implemented	
<p>Finding 2016-002 (40000) Unduplicated Pupil Counts</p> <p>In our review of the Vivian Banks Charter School, students reported as Free and Reduced Price Meal (FRPM) eligible on Form "1.18 – FRPM/English Learner/Foster Youth -Student List" we found that 24 of the 79 selected for testing were incorrectly designated.</p> <p>Implement procedures to ensure data submitted in CalPADS is complete prior to certification and submission.</p>		
<p>Finding 2016-003 (40000) After School Education and Safety Program</p> <p>In our review of attendance documentation for the ASES program at Bonsall West Elementary School for the month of October , students marked as present on the attendance report were signing out early with no early release forms on file or emergency early release codes identified on sign out sheets. We also noted instances where students who were marked present did not have a sign out signatures or times on the sign out sheets. Out of a sample of 471 days of attendance tested, we noted 47 days in which these instances occurred, resulting in 9.98% of attendance claimed that did not meet the full day attendance requirement for the program.</p>		

**BONSALL UNIFIED SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
We recommend the District provide training to school site personnel to ensure they understand district established policies and procedures and establish an oversight and review procedure to ensure school sites are adhering to these established policies. We also recommend school site personnel review sign out sheets daily to ensure parents are signing their students out each day and to ensure sign out times are consistent with early release forms on file.	Implemented	