

**BASSETT UNIFIED SCHOOL DISTRICT  
LOS ANGELES COUNTY**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
INCLUDING REPORTS ON COMPLIANCE  
June 30, 2016**



# **BASSETT UNIFIED SCHOOL DISTRICT**

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**June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Bassett Unified School District  
La Puente, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bassett Unified School District (the District) as of and for the year ended June 30, 2016, 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 of material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the governmental activities.

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

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
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La Puente, California

Except for the matter described in the "Basis for Disclaimer of Opinion" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Summary of Opinions

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Disclaimer
General Fund	Unmodified
Building Fund	Unmodified
Bond Interest and Redemption Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### Basis for Disclaimer of Opinion on Governmental Activities (Government-wide Financial Statements)

As discussed in Notes 7, 8 and 13 and Finding 2016-005, the District was unable to provide support for the opening balances and fiscal year activity related to capital assets and depreciation, compensated absences, postemployment healthcare benefits and the early retirement incentive. Because schedules were not available, the District was unable to determine the proper amounts to capitalize, expense or record as liabilities at June 30, 2016. This affects the government-wide assets, liabilities, expenses and ending net position.

### Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on the government-wide financial statements of the District. Accordingly, we do not express an opinion on these financial statements.

### Unmodified Opinion

In our opinion, the financial statements listed above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Bassett Unified School District  
La Puente, California

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions and schedule of postemployment healthcare benefits funding progress 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.

The District has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules, combining non-major fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the combining non-major fund financial statements, 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

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
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La Puente, California

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 information is fairly stated in all material respects in relation to the 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 March 28, 2017 on our consideration of the 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 the 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 the District's internal control over financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
March 28, 2017

## **FINANCIAL SECTION**



**BASSETT UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	Governmental Activities
<b><u>Assets</u></b>	
Cash in county treasury	\$ 19,136,222
Cash and cash equivalents	151,767
Accounts receivable	2,787,555
Inventories	74,840
Land	1,259,276
Depreciable assets, net	66,195,889
<b>Total Assets</b>	<b>89,605,549</b>
<b><u>Deferred Outflows of Resources</u></b>	
Deferred charge on refunding	543,823
Deferred outflows - pensions	4,831,066
<b>Total Deferred Outflows of Resources</b>	<b>5,374,889</b>
<b><u>Liabilities</u></b>	
Overdraft - cash in county treasury	74,612
Accounts payable and other current liabilities	6,018,046
Accrued interest	601,368
Unearned revenue	286,762
Current portion of long-term liabilities	1,361,820
Non-current portion of long term liabilities	98,381,883
<b>Total Liabilities</b>	<b>106,724,491</b>
<b><u>Deferred Inflows of Resources</u></b>	
Deferred inflows - pensions	3,885,865
<b><u>Net Position</u></b>	
Net investment in capital assets	9,985,972
Restricted for:	
Debt service	2,715,786
Educational programs	1,506,912
Unrestricted	(29,838,588)
<b>Total Net Position</b>	<b>\$ (15,629,918)</b>

See accompanying notes to the financial statements.

# BASSETT UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES For the Fiscal Year Ended June 30, 2016

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 30,176,946	\$ 17,543	\$ 8,861,715	\$ (21,297,688)
Instruction - related services	6,841,522	8,820	1,868,925	(4,963,777)
Pupil services	7,050,888	190	3,700,982	(3,349,716)
Ancillary services	633,350		7,421	(625,929)
Enterprise activities	16,389	1,126	50,869	35,606
General administration	6,515,423	960	392,553	(6,121,910)
Plant services	17,012,603	1,998	607,334	(16,403,271)
Other outgo	2,060,789		779,975	(1,280,814)
Debt service - interest	2,229,366			(2,229,366)
<b>Total Governmental Activities</b>	<u>\$ 72,537,276</u>	<u>\$ 30,637</u>	<u>\$ 16,269,774</u>	<u>(56,236,865)</u>
<b>General Revenues</b>				
Property taxes levied for:				
General purposes				6,145,828
Debt service				3,136,163
Federal and state aid not restricted to specific purposes				37,986,917
Interest and investment earnings				126,009
Miscellaneous				996,941
<b>Total General Revenues</b>				<u>48,391,858</u>
Change in net position				(7,845,007)
Net Position - Beginning of Year, as originally reported				(7,329,309)
Adjustment for restatement (see Note 16)				(455,602)
Net Position - Beginning of Year, after restatement				<u>(7,784,911)</u>
Net Position - End of Year				<u>\$ (15,629,918)</u>

See accompanying notes to the financial statements.

# BASSETT UNIFIED SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>					
Cash in county treasury	\$ 11,128,444	\$ 2,708,206	\$ 2,637,680	\$ 2,661,892	\$ 19,136,222
Cash in bank				126,431	126,431
Cash in revolving fund	25,000			200	25,200
Cash with fiscal agent				136	136
Accounts receivable	1,626,280	12,355		1,148,920	2,787,555
Inventories	13,778			61,062	74,840
<b>Total Assets</b>	<b>\$ 12,793,502</b>	<b>\$ 2,720,561</b>	<b>\$ 2,637,680</b>	<b>\$ 3,998,641</b>	<b>\$ 22,150,384</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b><u>Liabilities</u></b>					
Overdraft - cash in county treasury	\$	\$	\$	\$ 74,612	\$ 74,612
Accounts payable	4,984,497	732,980		300,569	6,018,046
Unearned revenue	234,158			52,604	286,762
<b>Total Liabilities</b>	<b>5,218,655</b>	<b>732,980</b>	<b>-</b>	<b>427,785</b>	<b>6,379,420</b>
<b><u>Fund Balances</u></b>					
Nonspendable	38,778			61,262	100,040
Restricted	958,972	1,987,581	2,637,680	2,149,446	7,733,679
Assigned	1,052,085			1,360,148	2,412,233
Unassigned	5,525,012				5,525,012
<b>Total Fund Balances</b>	<b>7,574,847</b>	<b>1,987,581</b>	<b>2,637,680</b>	<b>3,570,856</b>	<b>15,770,964</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,793,502</b>	<b>\$ 2,720,561</b>	<b>\$ 2,637,680</b>	<b>\$ 3,998,641</b>	<b>\$ 22,150,384</b>

See accompanying notes to the financial statements.

**BASSETT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**

**TO THE STATEMENT OF NET POSITION**

**June 30, 2016**

Total fund balances - governmental funds \$ 15,770,964

Amounts reported for governmental funds are different than the statement of net position because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 1,259,276	
Depreciable assets, net	<u>66,195,889</u>	67,455,165

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds, including premium	(55,219,267)	
Capital lease	(2,249,926)	
Net pension liability	(39,842,253)	
Postemployment healthcare benefits	(1,004,677)	
Early retirement incentive	(952,897)	
Compensated absences	<u>(474,683)</u>	(99,743,703)

In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. Deferred outflows and inflows of resources at year-end consist of:

Deferred charge on refunding	543,823	
Deferred outflows - pensions	4,831,066	
Deferred inflows - pensions	<u>(3,885,865)</u>	1,489,024

Interest expense related to general obligation bonds was incurred but not accrued through June 30, 2016.		<u>(601,368)</u>
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Total net position - governmental activities		<u><u>\$ (15,629,918)</u></u>
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See accompanying notes to the financial statements.

# BASSETT UNIFIED SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 32,891,810	\$	\$	\$	\$ 32,891,810
Local sources	6,145,828				6,145,828
Total local control funding formula sources	39,037,638	-	-	-	39,037,638
Federal sources	3,233,803			4,509,700	7,743,503
Other state sources	6,593,562		31,641	3,820,390	10,445,593
Other local sources	3,297,357	45,431	3,117,766	1,266,066	7,726,620
<b>Total Revenues</b>	<u>52,162,360</u>	<u>45,431</u>	<u>3,149,407</u>	<u>9,596,156</u>	<u>64,953,354</u>
<b>Expenditures</b>					
Instruction	27,472,550			3,319,318	30,791,868
Instruction - related services	4,973,310			1,646,980	6,620,290
Pupil services	3,441,583			3,422,777	6,864,360
Ancillary services	628,283				628,283
Enterprise activities	-			16,136	16,136
General administration	6,232,812			212,108	6,444,920
Plant services	7,112,611	7,679,799		1,700,550	16,492,960
Other outgo	2,137,091				2,137,091
Debt service	282,300		2,762,744		3,045,044
<b>Total Expenditures</b>	<u>52,280,540</u>	<u>7,679,799</u>	<u>2,762,744</u>	<u>10,317,869</u>	<u>73,040,952</u>
Excess (deficiency) of revenues over expenditures	<u>(118,180)</u>	<u>(7,634,368)</u>	<u>386,663</u>	<u>(721,713)</u>	<u>(8,087,598)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in				204,929	204,929
Proceeds from refunding bond			10,329,111		10,329,111
Deposit to refunding escrow agent			(10,094,720)		(10,094,720)
Interfund transfers out	(204,929)				(204,929)
<b>Total Other Financing Sources (Uses)</b>	<u>(204,929)</u>	<u>-</u>	<u>234,391</u>	<u>204,929</u>	<u>234,391</u>
Change in fund balance	<u>(323,109)</u>	<u>(7,634,368)</u>	<u>621,054</u>	<u>(516,784)</u>	<u>(7,853,207)</u>
<b>Fund Balance - Beginning of Year, as Originally Stated</b>	8,079,949	9,621,949	2,016,626	4,361,249	24,079,773
Adjustment for Restatement (see note 16)	(181,993)			(273,609)	(455,602)
<b>Fund Balance - Beginning of Year, as Restated</b>	<u>7,897,956</u>	<u>9,621,949</u>	<u>2,016,626</u>	<u>4,087,640</u>	<u>23,624,171</u>
<b>Fund Balance at End of Year</b>	<u>\$ 7,574,847</u>	<u>\$ 1,987,581</u>	<u>\$ 2,637,680</u>	<u>\$ 3,570,856</u>	<u>\$ 15,770,964</u>

See accompanying notes to the financial statements.

# **BASSETT UNIFIED SCHOOL DISTRICT**

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2016**

Net change in fund balances - total governmental funds \$ (7,853,207)

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

Issuance of long-term debt is reported as proceeds in governmental funds but increases long-term liabilities in the statement of net position.

Refunding general obligation bonds, including premium (10,329,111)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bonds principal payments, including principal balance paid to the refunding escrow agent	\$ 10,690,000	
Capital lease	<u>173,969</u>	10,863,969

In governmental funds, pension costs are recognized when the employer contribution is made, but in the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual basis pension costs and actual employer contribution was:

Net increase in deferred outflows of resources - pensions	2,084,742	
Net increase in net pension liability	(7,221,736)	
Net decrease in deferred inflows of resources - pensions	<u>4,876,265</u>	(260,729)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

Increase in deferred charge on refunding, net of amortization	543,823	
Net decrease in accrued interest	176,337	
Net increase in accreted interest	(1,024,603)	
Net increase in postemployment healthcare benefits	(76,626)	
Net increase in early retirement incentive and PARS	(31,647)	
Net decrease in premium on general obligation bonds	<u>146,787</u>	<u>(265,929)</u>

Change in net position of governmental activities \$ (7,845,007)

See accompanying notes to the financial statements.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2016**

	Retiree Benefits Fund	Foundation Private-Purpose Trust Fund	Agency Fund Associated Student Body Funds
<b><u>Assets</u></b>			
Cash in county treasury	\$ 114	\$ 29,151	\$
Cash in banks			132,113
Accounts receivable		94	
<b>Total Assets</b>	<u>114</u>	<u>29,245</u>	<u>132,113</u>
<b><u>Liabilities</u></b>			
Funds held in trust			132,113
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>132,113</u>
<b><u>Net Position</u></b>			
Unrestricted	<u>114</u>	<u>29,245</u>	
<b>Total Net Position</b>	<u>\$ 114</u>	<u>\$ 29,245</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**BASSETT UNIFIED SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

	Retiree Benefits Fund	Foundation Private-Purpose Trust Fund
<b>Additions</b>		
Revenue from local sources	\$	\$ 236
<b>Total Additions</b>	-	236
<b>Deductions</b>		
Other expenses		1,000
<b>Total Deductions</b>	-	1,000
Changes in net position	-	(764)
<b>Net Position - Beginning of Year</b>	114	30,009
<b>Net Position - End of Year</b>	\$ 114	\$ 29,245

See accompanying notes to the financial statements.



**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*, updated to conform to the most current financial and reporting requirements promulgated by the California Department of Education. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The significant accounting policies applicable to the District are described below.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with GAAP as prescribed by GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective enhances the fund-group perspective previously required. Fiduciary activities are excluded from the basic financial statements and are reported separately in the fiduciary fund statements.

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position, a Statement of Activities, and fund financial statements.

**Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities displays information about the District as a whole. These statements include the financial activities of the primary government. Fiduciary funds are excluded.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. Depreciation and interest expense have not been allocated to specific functions.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Fund Financial Statements**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

The fund financial statement expenditures are presented in a function-oriented format. The following is a brief description of the functions:

***Instruction:*** includes the activities directly dealing with the interaction between teachers and students.

***Instruction-Related Services:*** includes supervision of instruction, instructional library, media and technology, and school site administration.

***Pupil Services:*** includes home to school transportation, food services, and other pupil services.

***Ancillary Services:*** includes activities that are generally designed to provide students with experiences outside the regular school day.

***Enterprise Activities:*** includes activities that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs are financed or recovered primarily through user charges.

***General Administration:*** includes data processing services and all other general administration services.

***Plant Services:*** includes activities of maintaining the physical plant. This also includes facilities acquisition and construction expenditures.

***Other Outgo:*** includes transfers to other agencies.

***Debt Service:*** includes principal and interest payments for long term debt.

The fiduciary fund expenses are presented by natural classification.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Fund Accounting**

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations, and equities.

The Statement of Revenues, Expenditures and Changes in Fund Balance are statements of financial activities of the particular fund related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization. The modified accrual basis of accounting is used for all governmental funds.

**Governmental Funds – Major**

**General Fund:** used to account for all financial resources except those required to be accounted for in another fund. The Deferred Maintenance Fund, the Special Revenue Fund for other than Capital Outlay, and the Special Revenue Fund for Postemployment Benefits no longer meet the definition of a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. The Self-Insurance Fund is also presented within the General Fund as it used primarily to set aside funds and pay expenses for insurance purposes. Therefore, all activities of these funds are reported in the General Fund.

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

**Bond Interest and Redemption Fund:** used to account for the payment of principal and interest on general long-term debt.

**Governmental Funds – Non-Major**

**Special Revenue Funds:** used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects.

*Adult Education Fund:* used to account for resources restricted or committed to adult education programs maintained by the District.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

*Child Development Fund:* used to account for resources committed to child development programs.

*Cafeteria Fund:* used to account for revenues received and expenditures made to operate the District's cafeterias.

**Capital Projects Funds:** used to account for the financial resources that are restricted, committed or assigned for the acquisition and/or construction of major governmental general fixed assets.

*Capital Facilities Fund:* used to account for resources received from residential and commercial developer impact fees.

*State School Building Lease-Purchase Fund:* used for modernization and construction projects funded by state apportionments.

*County School Facilities Fund:* used to account for the School Facility Program grant award for modernization and new construction of various school sites

*Special Reserve Fund for Capital Outlay Projects:* used to account for specific board-approved capital expenditures.

**Debt Service Funds:** used to account for the financial resources that are restricted, committed or assigned and the accumulation of resources for, the payment of general long-term debt principal, interest, and related costs.

*Tax Override Fund:* used to account for the repayment of voted indebtedness tax levies (other than bond interest and redemption fund payments) to be financed from AdValorem Tax Levies.

**Fiduciary Funds**

**Retiree Benefits Fund:** used to account for assets held by the District under a trust agreement for retirees and are therefore not available to support the District's own programs.

**Foundation Private-Purpose Trust Fund:** used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

**Associated Student Body Funds:** used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates seven Associated Student Body funds.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Agency Activities**

The District operates a warrant pass-through fund as a holding account for amounts collected from employees for federal taxes, state taxes, and other contributions. The District had cash in the county treasury amounting to \$(341,765) on June 30, 2016, which represents a prepayment of withholdings payable.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. Revenues in governmental fund financial statements are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the county treasury is recorded at cost, which approximates fair value.

**Receivables**

Receivables are generally recorded when the amount is earned and can be estimated. All material receivables are considered fully collectible.

**Inventories**

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable supplies held for consumption. At June 30, 2016, the inventory for supplies is \$13,778. The inventory for food is \$61,062.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Capital Assets**

Generally, capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined by GASB. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	2-20 years

As noted in the Independent Auditor's Report and Finding 2016-005, the District was not able to determine the amount of capital asset additions and deletions or calculate the appropriate depreciation expense for the 2015-16 year. Therefore, no activity was recorded for these items for the year ended June 30, 2016.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

***Deferred Charge on Refunding:*** A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

***Deferred Outflows – Pensions:*** The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 14 to financial statements.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**Unearned Revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are recognized as a liability when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave, therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken. However, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**Long-Term Obligations**

The District reports long-term debt of governmental funds at face value in the government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. General obligation bonds are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees'

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources, results from the difference between the estimated and actual return on pension plan investments, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 14 to the financial statements.

**Net Position**

Net position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on use through external restrictions imposed by donors, grantors, laws or regulations of other governments or by enabling legislation adopted by the District.

**Fund Balance Classification**

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

***Restricted:*** Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

***Assigned:*** Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Education, through a formal action has



**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

given authority to the Superintendent or designee to assign amounts for a specific purpose that is neither restricted nor committed.

*Unassigned:* The residual fund balance for the General Fund and all other spendable amounts.

**Spending Order Policy**

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted net position or fund balance is available.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District's policy considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment functions.

**Minimum Fund Balance Policy**

To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board of Education intends to maintain a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to at least two months of General Fund operating expenditures with the minimum reserve being 3% of budgeted General Fund expenditures and other financing uses.

**State Apportionments**

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year. Second period to annual corrections for local control funding formula and other state apportionments (either positive or negative) are accrued at the end of the fiscal year.

**Property Taxes**

Secured property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are payable in two installments on November 1<sup>st</sup> and February 1<sup>st</sup>. Unsecured property taxes are payable in one installment on or before August 31<sup>st</sup>.

Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the California Department of Education. This is generally on a cash basis. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the state for local control funding formula purposes. Property taxes for debt service purposes are not material and have, therefore, not been accrued in the Government-wide financial statements.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

**On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' Retirement System on behalf of all school districts in California. The amount of on-behalf payments made for the District has been recorded in the fund financial statements.

**Contributed Services**

Generally accepted accounting principles require that contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are to be recorded at fair value in the period received. Although the District receives numerous hours of volunteer time, it is not deemed necessary to record these hours on the books of the District based on the above guidelines. In addition, the District receives donations of immaterial equipment and supplies which are not recorded upon receipt.

**Estimates**

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

**Reclassifications**

Certain 2015 amounts have been reclassified in the beginning fund balance to conform to the 2016 financial statement presentation.

**Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

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

responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component unit has been excluded from the District's reporting entity:

**Various PTA, PTO and Booster Clubs:** Each of these types of organizations at each of the school sites within the District were evaluated using the three criteria listed above. Each entity has been excluded as a component unit because the third criterion was not met in all cases; the economic resources received and held by the PTA, PTO and the Booster Club individually are not significant to the District.

**NOTE 2: BUDGETS**

By state law, the District's Governing Board must approve a budget no later than July 1, using the Single Adoption Budget process. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with GAAP.

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. The original and final revised budget for the General Fund is presented in a budgetary comparison schedule in the required supplementary section.

# **BASSETT UNIFIED SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016**

### **NOTE 2: BUDGETS**

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

### **NOTE 3: DEPOSITS AND INVESTMENTS**

#### **Deposits**

##### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2016, \$198,975 of the District's bank balance of \$448,975 was exposed to credit risk as follows:

District's Bank Balance	June 30, 2016
Uninsured and collateral held by pledging bank's trust department not in the District's name.	\$ 198,975
Total	<u>\$ 198,975</u>

#### **Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are carried at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2016 is measured at 100.1168% of amortized cost. The District's deposits in the fund are considered highly liquid.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53534, 53601, 53635, and 53648. The county is restricted to invest 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 funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds, except for the Tax Override fund, in which case interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer follows. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 3: DEPOSITS AND INVESTMENTS**

participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Los Angeles County Public Affairs Office, Kenneth Hahn Hall of Administration, 500 W. Temple St, Room 358, Los Angeles, CA 90012.

**Overdraft – Cash in County Treasury**

The Child Development fund has a negative cash in county balance due to accounts receivable outstanding from the California Department of Education and other local sources.

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016 consists of the following:

				Non-Major Governmental Funds	Total Governmental Funds
<u>Accounts Receivable</u>	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>		
Federal and state	\$ 1,603,791	\$	\$	\$ 933,159	\$ 2,536,950
Miscellaneous	22,489	12,355		215,761	250,605
Total accounts receivable	<u>\$ 1,626,280</u>	<u>\$ 12,355</u>	<u>\$ -</u>	<u>\$ 1,148,920</u>	<u>\$ 2,787,555</u>

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund activity has been eliminated in the Government-wide statements. The following balances and transactions are reported in the fund financial statements.

**Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2015-16 fiscal year are as follows:

Transfer from the General Fund to the Child Development Fund for excess expenditures over revenue.	\$ 204,929
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**BASSETT UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2016**

**NOTE 6: FUND BALANCES**

The following amounts were nonspendable, restricted, assigned or unassigned as shown below:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:					
Cash in revolving fund	\$ 25,000	\$	\$	\$ 200	\$ 25,200
Inventories	13,778			61,062	74,840
Total nonspendable	38,778	-	-	61,262	100,040
Restricted:					
Legally restricted programs	958,972			547,940	1,506,912
Food services program				283,906	283,906
Capital projects		1,987,581		1,239,494	3,227,075
Debt service			2,637,680	78,106	2,715,786
Total restricted	958,972	1,987,581	2,637,680	2,149,446	7,733,679
Assigned:					
Retiree Benefits Reserve	3,585				3,585
Other assignments				1,360,148	1,360,148
Insurance needs	1,036,464				1,036,464
Deferred Maintenance Reserve	9,946				9,946
Special Reserve Fund for Other than Capital Outlay	2,090				2,090
Total assigned	1,052,085	-	-	1,360,148	2,412,233
Unassigned:					
Economic uncertainties	1,426,809				1,426,809
Unassigned	4,098,203				4,098,203
Total unassigned	5,525,012	-	-	-	5,525,012
Total fund balance	\$ 7,574,847	\$ 1,987,581	\$ 2,637,680	\$ 3,570,856	\$ 15,770,964

**BASSETT UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2016**

**NOTE 7: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES**

Capital asset activity for the year ended June 30, 2016 is shown below.

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 1,259,276	\$ -	\$ -	\$ 1,259,276
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,259,276</u>	<u>-</u>	<u>-</u>	<u>1,259,276</u>
Capital assets being depreciated:				
Land improvements	5,670,325	-	-	5,670,325
Buildings and improvements	73,425,174	-	-	73,425,174
Furniture and equipment	13,936,674	-	-	13,936,674
Total capital assets being depreciated	<u>93,032,173</u>	<u>-</u>	<u>-</u>	<u>93,032,173</u>
Less accumulated depreciation for:				
Land improvements	(1,500,795)	-	-	(1,500,795)
Buildings and improvements	(16,661,684)	-	-	(16,661,684)
Furniture and equipment	(8,673,805)	-	-	(8,673,805)
Total accumulated depreciation	<u>(26,836,284)</u>	<u>-</u>	<u>-</u>	<u>(26,836,284)</u>
Depreciable assets, net	<u>66,195,889</u>	<u>-</u>	<u>-</u>	<u>66,195,889</u>
Governmental activities capital assets, net	<u>\$ 67,455,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,455,165</u>

Note: District was unable to provide documentation to support the beginning balances and current year activity related to capital assets and depreciation. See the independent auditor's report and finding 2016-005.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 8: LONG-TERM DEBT – SCHEDULE OF CHANGES**

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in One Year
General obligation bonds	\$ 48,269,080	\$ 8,775,000	\$ 10,690,000	\$ 46,354,080	\$ 780,000
Capital appreciation interest	5,439,814	1,024,603		6,464,417	
Premium on general obligation bonds	993,446	1,554,111	146,787	2,400,770	217,429
Total general obligation bonds	54,702,340	11,353,714	10,836,787	55,219,267	997,429
Capital leases	2,423,895		173,969	2,249,926	181,975
Compensated absences	474,683			474,683	
Early retirement incentive	187,556			187,556	
Postemployment healthcare benefits	928,051	76,626		1,004,677	
PARS supplementary retirement plan	733,694	178,386	146,739	765,341	182,416
Net pension liability	32,620,517	7,221,736		39,842,253	
Total	<u>\$ 92,070,736</u>	<u>\$ 18,830,462</u>	<u>\$ 11,157,495</u>	<u>\$ 99,743,703</u>	<u>\$ 1,361,820</u>

Note: District was unable to provide documentation to support the beginning balances and current year activity related to compensated absences, postemployment healthcare benefits and the early retirement incentive. See the independent auditor's report and finding 2016-005.

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, early retirement incentive, postemployment healthcare benefits, and net pension liability. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.



**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 9: LEASES**

**Capital Leases**

The District leases equipment valued at approximately \$3.6 million under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	Lease Payment
2017	\$ 282,300
2018	282,300
2019	282,300
2020	282,300
2021	282,300
2022-2026	1,411,452
Total	2,822,952
Less amount representing interest	(573,026)
Present value of net minimum lease payments	<u>\$ 2,249,926</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

**NOTE 10: GENERAL OBLIGATION BONDS**

**Measure E 2004 Election**

In November 2004, \$23 million in general obligation bonds were authorized by an election (Measure E) held within the District. The bonds were authorized to finance the acquisition, construction, rehabilitation and modernization of school facilities and paying related costs.

Between February 2005 and July 2006, the District issued bonds, Series A – C, totaling \$23 million. In November 2014, the District issued refunding bonds, Series A and B, totaling \$15.1 million to advance refund the callable portions of the District's outstanding Series 2005A and Series B.

Capital appreciation bonds were issued as part of Series A – C with maturity dates ranging from 2017 through 2044. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$665,938. The balance of accreted interest at June 30, 2016 is \$3,833,053.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 10: GENERAL OBLIGATION BONDS**

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$902,110. The amount will be amortized using the straight-line method. Amortization of \$69,120 was recognized for fiscal year 2015-16.

**Measure E 2006 Election**

In November 2006, \$20 million in general obligation bonds were authorized by an election (Measure E) held within the District. The bonds were authorized to finance the renovation, construction and improvement of school facilities and retiring facility debt.

Between August 2007 and January 2008, the District issued bonds, Series A & B, totaling \$20 million. In January 2016, the District issued a refunding bond totaling \$8.8 million to current refund portions of the District's outstanding Series 2007. The refunding resulted in a cash flow savings of \$1,576,627. The present value of the economic gain to the District and taxpayers is \$1,298,856.

The balance of the bonds refunded was \$569,720 less than the amount paid into the escrow account. This amount is recorded as a deferred charge on the statement of net position and amortized to interest expense over the life of the new debt. Amortization of \$25,896 was recognized during the year ended June 30, 2016.

Capital appreciation bonds were issued as part of Series A and B with maturity dates ranging from 2026 through 2038. Prior to the applicable maturity date, each bond will accrue accreted interest on the principal components, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and included as an addition in the long-term debt schedule is \$358,665. The balance of accreted interest at June 30, 2016 is \$2,631,364.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The refunding bonds included a premium of \$1,554,111. The amount will be amortized using the straight-line method. Amortization of \$70,641 was recognized for fiscal year 2015-16.

**Measure V 2014 Election**

In November 2014, \$30 million in general obligation bonds were authorized by an election (Measure V) held within the District. The bonds were authorized to repair, upgrade, acquire, construct and equip certain District property and facilities and to pay the costs of issuing the Bonds.

**BASSETT UNIFIED SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016****NOTE 10: GENERAL OBLIGATION BONDS**

In May 2015, the District issued bonds, Series A, totaling \$9.9 million.

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$91,336. The amount will be amortized using the straight-line method. Amortization of \$7,026 was recognized for fiscal year 2015-16.

The outstanding general obligation bonded debt of the District at June 30, 2016 is:

<u>General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate %</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2016</u>
2004 Measure E:					
Series A	2/17/2005	8/1/2027	3.3-5.0	\$ 12,363,352	\$ 773,351
Series B	7/19/2006	8/1/2032	3.9-5.2	6,614,361	614,361
Series C	7/19/2006	8/1/2044	5.2-5.3	4,021,832	4,021,832
2014 Refunding Series A	12/17/2014	8/1/2030	2.0-5.0	8,690,000	8,445,000
2014 Refunding Series B	5/5/2015	8/1/2027	5.0	6,415,000	6,415,000
Total 2004 Measure E				<u>38,104,545</u>	<u>20,269,544</u>
2006 Measure E:					
Series A	8/22/2007	8/1/2032	3.8-5.9	14,999,566	2,409,566
Series B	1/23/2008	8/1/2037	3.9-4.7	4,999,970	4,999,970
2016 Refunding	1/7/2016	8/1/2026	2.0-5.0	8,775,000	8,775,000
Total 2006 Measure E				<u>28,774,536</u>	<u>16,184,536</u>
2014 Measure V:					
Series A	5/20/2015	8/1/2044	2.1-4.0	9,900,000	9,900,000
Total 2014 Measure V				<u>9,900,000</u>	<u>9,900,000</u>
Total				<u>\$ 76,779,081</u>	<u>\$ 46,354,080</u>

**BASSETT UNIFIED SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2016**

**NOTE 10: GENERAL OBLIGATION BONDS**

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest
2017	\$ 1,602,144	\$ 1,848,849	\$ 2,300,101
2018	1,900,255	1,601,261	2,490,964
2019	1,265,952	1,329,514	2,449,442
2020	1,625,000	1,286,669	2,732,469
2021	1,790,000	1,223,874	2,810,619
2022-2026	11,869,929	4,723,594	15,546,233
2027-2031	11,824,208	2,262,728	16,828,519
2032-2036	6,589,358	1,265,800	16,906,442
2037-2041	4,682,815	854,900	14,412,086
2042-2045	3,204,419	244,500	9,020,081
Total	<u>\$ 46,354,080</u>	<u>\$ 16,641,688</u>	<u>\$ 85,496,956</u>

**NOTE 11: EARLY RETIREMENT INCENTIVE PROGRAM**

The District's Collective Bargaining Agreements contain an early incentive program to qualified employees. Eligibility requirements are that an employee attain age 55 with at least 15 years of service with the District. The retirees receive annual benefit payments ranging from \$2,000 to \$7,500 for a term of 5 years or life. The benefits is paid out annually to the retiree in equal installments. On April 3, 2012, a memorandum of understanding was made between the District and Bassett Teachers Association to give certificated non-management employees three incentives offered as follows:

1. Employees that had attained the age of 65 or older by June 30, 2013 shall receive a one-time payment from the District of 422,000 upon separation from service.
2. Employees that had attained the age of 64 by June 30, 2013 shall receive a one-time payment from the District of \$41,250 upon separation from service.
3. Employees that had attached the age of 55 by June 30, 2013 but who have not yet attained the age of 64 shall receive a one-time payment form the District of \$52,250 upon separation from service.

Currently, there are 62 employees participating in the plan and the District's obligation to those retirees as of June 30, 2016 is unknown as an actuarial valuation has not been completed for the plan. The effect on the government-wide financial statements and disclosures is not readily determinable. See the Independent Auditor's Report and Finding 2016-005.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 12: PARS SUPPLEMENTARY RETIREMENT PLAN**

On October 14, 2014 the Board of Education adopted a resolution for the implementation of an early retirement incentive known as PARS Supplementary Retirement Plan (SRP) for certificated non-management employees. To be eligible, employees must be 55 years of age with 5 years of District service or 50 years of age with 30 years of District service as of June 30, 2015. The District will pay benefits from 2016-2020 totaling \$733,694. Annual payments are \$146,739. The total remaining liability of \$586,955 has been reflected in these financial statements.

On November 10, 2015 the Board of Education adopted a resolution for the implementation of an early retirement incentive known as PARS Supplementary Early Retirement Program (SERP) for full-time certificated non-management employees. The District will pay benefits from 2017-2021 totaling \$178,386. Annual payments are \$35,678 with the first payment due in 2017. The total liability of \$178,386 has been reflected in these financial statements.

**NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description and Eligibility**

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides medical, dental, and vision benefits to all full-time Classified and Management employees who have reached age 55 and retire with at least 15 years of service, however, District-paid retiree benefits begin at age 55 and terminate on the June 30th for the fiscal year during which the retiree reaches age 65. Retirees and spouses covered under AB-528 have lifetime benefits. Benefit provisions are established through negotiations between the District and the bargaining unions representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a separate financial report.

**Funding Policy**

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For the year ended June 30, 2016, the District contributed \$143,562 to the plan.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment 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. 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS**

contributed, and changes in the OPEB obligation:

	Balance June 30, 2016
Annual OPEB Cost and Net OPEB Obligation	
Annual required contribution (ARC)	\$ 221,553
Interest on net OPEB obligation	44,082
Adjustment to ARC	(45,447)
Annual OPEB cost	220,188
Contributions made, including implicit rate subsidy	(143,562)
Change in net OPEB obligation	76,626
Net OPEB obligation - beginning of year	928,051
Net OPEB obligation - end of year	\$ 1,004,677

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2016 was as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 221,553	27.60%	\$ 802,656
2015	221,553	43.40%	928,051
2016	220,188	65.20%	1,004,677

**Funding Status and Funding Progress**

As of October 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$2,668,994. The covered payroll (annual payroll of active employees covered by the plan) was \$4,918,000, and the ratio of the UAAL to the covered payroll was 54%. Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for retiree health care costs.

Actuarial valuations of an ongoing benefit 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 postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 13: POST EMPLOYMENT HEALTHCARE BENEFITS**

about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**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 of 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, if any, consistent with the long-term perspective of the calculations.

In the October 1, 2013 actuarial valuation, the level percentage of payroll method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses) which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 4.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar of projected payroll on an open basis over 30 years.

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

As of June 30, 2016, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans as follows:

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
Pension Plan				
CalSTRS - STRP	\$ 28,949,320	\$ 2,209,927	\$ 2,843,590	\$ 2,242,450
CalPERS - Schools Pool Plan	10,892,933	2,621,139	1,042,275	1,316,839
Total	<u>\$ 39,842,253</u>	<u>\$ 4,831,066</u>	<u>\$ 3,885,865</u>	<u>\$ 3,559,289</u>

The details of each plan are as follows:

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

**Plan Description**

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

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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



**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.4%	2.0%-2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.391%	7.391%

**Contributions**

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2016 are presented above and the total District contributions were \$2,209,927.

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

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

	Balance June 30, 2016
Proportionate Share of Net Pension Liability	
District proportionate share of net pension liability	\$ 28,949,320
State's proportionate share of the net pension liability associated with the District	15,310,958
Total	<u>\$ 44,260,278</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0430%.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

For the year ended June 30, 2016, the District recognized pension expense of \$2,242,450 and revenue of \$1,186,006 for support provided by the state. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Pension Deferred Outflows and Inflows of Resources</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,209,927	\$
Difference between expected and actual experience		483,750
Net differences between projected and actual earnings on plan investments		2,359,840
Total	<u>\$ 2,209,927</u>	<u>\$ 2,843,590</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between project and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the STRP for the June 30, 2015 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortize over the remaining periods not to exceed 6 years.

The remaining amount will be recognized to pension expense as follows:

<u>Year Ending June 30,</u>	Amortization
2017	\$ (670,585)
2018	(670,585)
2019	(670,585)
2020	(670,585)
2021	(80,625)
2022	(80,625)
Total	<u>\$ (2,843,590)</u>

# BASSETT UNIFIED SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2016

### NOTE 14: EMPLOYEE RETIREMENT PLANS

#### Actuarial Methods and Assumptions

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-term
		Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**Discount Rate**

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

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 43,711,220
Current discount rate (7.60%)	28,949,320
1% increase (8.60%)	16,680,990

**Plan Fiduciary Net Position**

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

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

**Plan Description**

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least 5 years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

Provisions and Benefits	CalPERS-Schools Pool Plan	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	6.974%	6.000%
Required employer contribution rate	11.847%	11.847%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016 are as presented above and the total District contributions were \$1,102,561.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$10,892,933. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0739%.

For the year ended June 30, 2016, the District recognized pension expense of \$1,316,839. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Deferred Outflows and Inflows of Resources		
Pension contributions subsequent to measurement date	\$ 1,102,561	\$
Difference between expected and actual experience	622,547	
Effect of changes in assumptions		669,292
Effect of changes in proportion	896,031	
Net differences between projected and actual earnings on plan investments		372,984
Total	<u>\$ 2,621,139</u>	<u>\$ 1,042,276</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The net differences between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARS�) of the plan participants. The EARS� for the CalPERS Plan for the June 30, 2015 measurement date is 3.9 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2017	\$ 19,443
2018	19,443
2019	(9,846)
2020	447,262
Total	<u>\$ 476,302</u>

**Actuarial Methods and Assumptions**

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

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 14: EMPLOYEE RETIREMENT PLANS**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	19%	2.43%
Private equity	10%	6.95%
Real estate	12%	5.13%
Inflation assets	6%	3.36%
Liquidity	2%	-1.05%

**Discount Rate**

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

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 17,729,156
Current discount rate (7.65%)	10,892,933
1% increase (8.65%)	5,208,157

**Plan Fiduciary Net Position**

Detailed information about CalPERS School Employer plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.



**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 15: JOINT POWERS AGREEMENTS**

The District participates in the Alliance for School's Cooperative Insurance Programs (ASCIP).

ASCIP arranges for and provides workers' compensation, property and liability insurance for its members.

The JPA is governed by a board consisting of a representative from each member. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards.

The JPA is independently accountable for its fiscal matters. ASCIP maintains its own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for the JPA may be obtained from the entity.

The relationships between the District and the JPA are such that neither JPA is a component unit of the District for financial reporting purposes.

Condensed financial information for the year ended June 30, 2016 is as follows:

	ASCIP 6/30/2015 (Audited)
<u>JPA Condensed Financial Information</u>	
Total assets	\$ 370,258,739
Total liabilities	212,691,038
Fund balance	<u>\$ 157,567,701</u>
Total revenues	228,880,931
Total expenditures	216,378,429
Change in fund balance	<u>\$ 12,502,502</u>

**NOTE 16: ADJUSTMENT FOR RESTATEMENT**

The beginning fund balance for the General Fund has been decreased by \$181,993 to remove the prepaid expenses balance that was previously consumed. The beginning fund balance for the Cafeteria Fund has been decreased by \$273,609 to reflect an inventory adjustment made in the current year that related to the 2014-15 fiscal year. The total of these restatements, \$455,602, also reduced the beginning net position of the government-wide financial statements.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 17: COMMITMENTS AND CONTINGENCIES**

**Litigation**

The District is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific purposes, including reimbursement of mandated costs, which 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.

**State School Building Lease-Purchase and County School Facilities Funds**

The District is currently involved in several construction and modernization projects funded through the Office of Public School Construction. These projects are subject to future audits by the State, which may result in other adjustments to the fund.

**Purchase Commitments**

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$3.8 million. Projects will be funded through Bond Proceeds, State School Building Lease-Purchase Grants, State Deferred Maintenance Allocations, Capital Facilities Funds, and General Funds.

**NOTE 18: SUBSEQUENT EVENTS**

**General Obligation Bonds**

The District sold \$20.1 million in general obligation bonds, 2014 Election, Series B on February 9, 2017. The bonds were sold with an interest rate of 3.0% to 4.0% and mature in August 2037. The bonds were sold for the repair, upgrading, acquisition, construction and equipping of certain District property and facilities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# BASSETT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND For the Fiscal Year Ended June 30, 2016

	Budgetary Amounts - General		Actual	(a) Fund Basis	Actual
	Fund		Amounts	to GAAP	Amounts
	Original	Final	Fund		GAAP Basis
<b>Revenues</b>					
Local control funding formula sources:					
State apportionments	\$ 35,321,326	\$ 34,164,060	\$ 32,891,810	\$	\$ 32,891,810
Local sources	4,756,883	4,748,338	6,145,828		6,145,828
Total local control funding formula sources	40,078,209	38,912,398	39,037,638	-	39,037,638
Federal sources	2,985,853	3,167,779	3,233,803		3,233,803
Other state sources	2,237,885	6,192,903	6,593,562		6,593,562
Other local sources	3,082,316	3,039,015	3,288,158	9,199	3,297,357
<b>Total Revenues</b>	<u>48,384,263</u>	<u>51,312,096</u>	<u>52,153,161</u>	<u>9,199</u>	<u>52,162,360</u>
<b>Expenditures</b>					
Certificated salaries	17,459,334	19,300,663	19,874,420		19,874,420
Classified salaries	7,867,275	8,656,839	8,423,828		8,423,828
Employee benefits	7,262,646	9,241,013	9,028,678		9,028,678
Books and supplies	2,141,895	2,575,711	2,959,889		2,959,889
Services and other operating expenditures	9,191,462	7,479,259	8,758,270	1,067,054	9,825,324
Capital outlay	253,136	30,627	2,066		2,066
Other outgo	2,558,515	2,774,490	2,092,647		2,092,647
Direct support - indirect cost		620	(208,612)		(208,612)
Debt service				282,300	282,300
<b>Total Expenditures</b>	<u>46,734,263</u>	<u>50,059,222</u>	<u>50,931,186</u>	<u>1,349,354</u>	<u>52,280,540</u>
Excess (deficiency) of revenues over expenditures	<u>1,650,000</u>	<u>1,252,873</u>	<u>1,221,975</u>	<u>(1,340,155)</u>	<u>(118,180)</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in				282,300	282,300
Interfund transfers out	(1,650,000)	(350,000)	(487,229)	-	(487,229)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,650,000)</u>	<u>(350,000)</u>	<u>(487,229)</u>	<u>282,300</u>	<u>(204,929)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 902,873</u>	<u>734,746</u>	<u>(1,057,855)</u>	<u>(323,109)</u>
<b>Fund Balance - Beginning of Year,</b>					
as Originally Stated			5,970,008	2,109,941	8,079,949
Adjustment for Restatement (see note 16)			(181,993)		(181,993)
<b>Fund Balance - Beginning of Year, as Restated</b>			<u>5,788,015</u>	<u>2,109,941</u>	<u>7,897,956</u>
<b>Fund Balance - End of Year</b>			<u>\$ 6,522,761</u>	<u>\$ 1,052,086</u>	<u>\$ 7,574,847</u>

(a) amounts presented are the result of the District including activity of certain Special Reserve Funds as described in note 1.

See the accompanying notes to the required supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF POSTEMPLOYMENT HEALTHCARE**

**BENEFITS FUNDING PROGRESS**

**For the Fiscal Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Level		Unfunded Actuarial Accrued Liability		Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Percentage Payroll Method) (AAL)	(AAL)	Accrued Liability (UAAL)	(UAAL)			
10/1/2009	\$	-	\$ 1,986,335	\$	1,986,335	0%	\$ 5,200,000	38%
10/1/2013		-	2,668,994		2,668,994	0%	4,918,000	54%

See the accompanying notes to the required supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

**For the Fiscal Year Ended June 30, 2016**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (assets)	0.0430%	0.0430%
District's proportionate share of the net pension liability (asset)	\$ 25,127,910	\$ 28,949,320
State's proportionate share of the net pension liability (asset) associated with the District	-	15,310,958
Total	<u>\$ 25,127,910</u>	<u>\$ 44,260,278</u>
District's covered-employee payroll	\$20.1 Million	\$19.1 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.23%	151.81%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.00%
 <u>California Public Employees' Retirement System - Schools Pool Plan</u>	 <u>2015</u>	 <u>2016</u>
District's proportion of the net pension liability (assets)	0.0660%	0.0739%
District's proportionate share of the net pension liability (asset)	<u>\$ 7,492,607</u>	<u>\$ 10,892,933</u>
District's covered-employee payroll	\$8.2 Million	\$7.9 Million
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.43%	137.88%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**For the Fiscal Year Ended June 30, 2016**

<u>California State Teachers' Retirement System - State Teachers' Retirement Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,571,650	\$ 2,209,927
Contributions in relation to the contractually required contribution	<u>1,781,750</u>	<u>2,209,927</u>
Contribution deficiency (excess)	<u>\$ (210,100)</u>	<u>\$ -</u>
District's covered-employee payroll	\$20.1 Million	\$20.6 Million
Contributions as a percentage of covered-employee payroll	7.83%	10.73%

<u>California Public Employees' Retirement System - Schools Pool Plan</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 794,027	\$ 1,102,561
Contributions in relation to the contractually required contribution	<u>964,574</u>	<u>1,102,561</u>
Contribution deficiency (excess)	<u>\$ (170,547)</u>	<u>\$ -</u>
District's covered-employee payroll	\$8.2 Million	\$9.3 Million
Contributions as a percentage of covered-employee payroll	9.69%	11.85%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

# **BASSETT UNIFIED SCHOOL DISTRICT**

## **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION For the Fiscal Year Ended June 30, 2016**

### **NOTE 1: PURPOSE OF SCHEDULES**

#### **Schedule of Budgetary Comparison For The General Fund**

A budgetary comparison is presented for the general fund and for any major special revenue fund that has a legally adopted annual budget. This schedule presents the budget as originally adopted, the revised budget as of the fiscal yearend, actual amounts at fiscal yearend, and any adjustments needed to present the amounts in accordance with generally accepted accounting principles (GAAP).

#### **Schedule of Postemployment Healthcare Benefits Funding Progress**

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

#### **Schedules of District's Proportionate Share of the Net Pension Liability – STRP and PERS**

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

#### **Schedules of District Contributions – STRP and PERS**

The schedule presents information on the District's required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

### **NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excesses of expenditures over appropriations, by major object accounts, occurred in the General Fund:

Certificated Salaries	\$ 573,757
Books and Supplies	384,178
Services and other Operating Expenses	1,279,011



## **SUPPLEMENTARY INFORMATION**

## **BASSETT UNIFIED SCHOOL DISTRICT**

### **HISTORY AND ORGANIZATION For the Fiscal Year Ended June 30, 2016**

The District was unified on July 1, 1962, and consists of an area comprising approximately 3.47 square miles. The District operates three elementary schools, one magnet school, one academy, one senior high school, one continuation high school, preschool and adult education programs.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2016 were as follows:

#### **BOARD OF EDUCATION**

<b><u>Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Ms. Dolores Rivera	President	2018
Mr. Paul Solano	Vice President	2018
Mr. Javier Romo	Clerk	2018
Ms. Natalie Ybarra	Member	2019
Mr. Armando Barajas	Member	2019

#### **DISTRICT ADMINISTRATORS**

Dr. Alex J. Rojas	Superintendent
Dr. Antoine Hawkins	Chief Business Officer
Dr. Rachel Monarrez	Assistant Superintendent, Educational Services
Ms. Debra French	Assistant Superintendent, Human Resources

# BASSETT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) For the Fiscal Year Ended June 30, 2016

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2016 are as follows:

	Second Period	Audit Adjustments	Audited Second Period
Grades Transitional Kindergarten through third:			
Regular ADA	1,127	-	1,127
Extended year special education	<u>2</u>	<u>-</u>	<u>2</u>
Total grades transitional kindergarten through third ADA	<u>1,129</u>	<u>-</u>	<u>1,129</u>
 Grades four through six:			
Regular ADA	853	-	853
Extended year special education	2	-	2
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>-</u>	<u>1</u>
Total grades four through six ADA	<u>856</u>	<u>-</u>	<u>856</u>
 Grades seven and eight:			
Regular ADA	595	-	595
Extended year special education	1	-	1
Special education - nonpublic, nonsectarian schools	<u>1</u>	<u>-</u>	<u>1</u>
Total grades seven and eight ADA	<u>596</u>	<u>-</u>	<u>596</u>
 Grades nine through twelve:			
Regular ADA	1,103	(2)	1,101
Special education - nonpublic, nonsectarian schools	7	-	7
Extended year special education - nonpublic, nonsectarian schools	<u>4</u>	<u>-</u>	<u>4</u>
Total grades nine through twelve ADA	<u>1,114</u>	<u>(2)</u>	<u>1,112</u>
 Total ADA	<u>3,695</u>	<u>(2)</u>	<u>3,693</u>

See the accompanying notes to the supplementary information.

# BASSETT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) For the Fiscal Year Ended June 30, 2016

The requirements governing ADA, admission of pupils, types of schools, recording and reporting of pupil attendance, and similar matters are controlled by provisions of the Education Code and by regulations of the California Department of Education.

ADA statistics reported to the state for the fiscal year ended June 30, 2016 are as follows:

	Annual	Audit Adjustments	Audited Annual
Grades Transitional Kindergarten through third:			
Regular ADA	1,125	-	1,125
Extended year special education	<u>2</u>	-	<u>2</u>
Total grades transitional kindergarten through third ADA	<u>1,127</u>	-	<u>1,127</u>
Grades four through six:			
Regular ADA	851	-	851
Extended year special education	2	-	2
Special education - nonpublic, nonsectarian schools	<u>1</u>	-	<u>1</u>
Total grades four through six ADA	<u>854</u>	-	<u>854</u>
Grades seven and eight:			
Regular ADA	597	-	597
Extended year special education	1	-	1
Special education - nonpublic, nonsectarian schools	<u>1</u>	-	<u>1</u>
Total grades seven and eight ADA	<u>599</u>	-	<u>599</u>
Grades nine through twelve:			
Regular ADA	1,111	(2)	1,109
Special education - nonpublic, nonsectarian schools	7	-	7
Extended year special education - nonpublic, nonsectarian schools	<u>4</u>	-	<u>4</u>
Total grades nine through twelve ADA	<u>1,122</u>	<u>(2)</u>	<u>1,120</u>
Total ADA	<u>3,702</u>	<u>(2)</u>	<u>3,700</u>

See the accompanying notes to the supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT****SCHEDULE OF INSTRUCTIONAL TIME  
For the Fiscal Year Ended June 30, 2016**

Grade Level	Minute Requirement	Actual Minutes	Number of Days		Status
			Traditional Calendar		
Kindergarten	36,000	51,370	180		In Compliance
Grade 1	50,400	51,756	180		In Compliance
Grade 2	50,400	51,756	180		In Compliance
Grade 3	50,400	51,756	180		In Compliance
Grade 4	54,000	54,000	180		In Compliance
Grade 5	54,000	54,000	180		In Compliance
Grade 6	54,000	58,440	180		In Compliance
Grade 7	54,000	58,440	180		In Compliance
Grade 8	54,000	58,440	180		In Compliance
Grade 9	64,800	65,869	180		In Compliance
Grade 10	64,800	65,739	180		In Compliance
Grade 11	64,800	65,739	180		In Compliance
Grade 12	64,800	65,739	180		In Compliance

See the accompanying notes to the supplementary information.

# BASSETT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Fiscal Year Ended June 30, 2016

		Pass-Through	
Program Name	Federal Catalog Number	Entity Identifying Number	Total Program Expenditures
<b>United States Department of Agriculture</b>			
Pass-Through Program From California Department of Education:			
Child Nutrition Cluster:			
Child Nutrition Program-Lunch	10.555	13396	\$ 1,759,891
Child Nutrition Program-Commodities	10.555	13396	175,965
Child Nutrition Program-Summer Food Service Program	10.559	13004	38,229
Subtotal: Child Nutrition Cluster			1,974,085
Child Nutrition Program-Fresh Fruit and Vegetables Program	10.582	14968	6,350
Total: United States Department of Agriculture			1,980,435
<b>United States Department of Education</b>			
Pass-Through Program From California Department of Education:			
Special Education Cluster:			
Grants to States (IDEA, Part B)	84.027	13379	1,082,954
Federal Preschool Grant	84.173	13430	13,216
Preschool Local Entitlement	84.027A	13682	18,710
Preschool Staff Development	84.173A	13431	274
Mental Health Services, Part B	84.027A	14468	121,559
Subtotal: Special Education Cluster			1,236,713
Every Student Succeeds Act:			
Title I, Part A - Low Income and Neglected	84.010	14329	1,413,015
Title II, Part A - Improving Teacher Quality	84.367	14341	226,811
Title III - Limited English Proficiency	84.365	14346	152,612
Title IV - Part B - 21st Century CCLP	84.287	14535	270,000
Adult Education: Adult Basic Education & ESL	84.002A	14508	79,026
Adult Education: Adult Secondary Education	84.002	13978	3,453
Carl Perkins Vocational Educational Grants	84.048	14894	42,424
Subtotal: Pass-Through Programs			3,424,054
Total: United States Department of Education			3,424,054

See the accompanying notes to the supplementary information.

# BASSETT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Fiscal Year Ended June 30, 2016

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
<b>United States Department of Health and Human Services</b>			
Pass-Through Program From California Department of Education			
Child Development - Federal Child Care Cluster:			
Child Development: Federal General (CCTR) & State Preschool (CSPP)	93.575	15136	32,070
Child Development: Federal General (CCTR) & State Preschool (CSPP)	93.596	13609	<u>59,559</u>
Subtotal: Child Development - Federal Child Care Cluster			91,629
Pass-Through Program From Los Angeles County Office of Education			
Head Start	93.600	10016	2,355,157
Medi-Cal Billing	93.778	10013	<u>5,619</u>
Total: United States Department of Health and Human Services			<u>2,452,405</u>
<b>United States Department of Rehabilitation</b>			
Pass-Through Program From California Department of Education			
We Can Work	(1)	(1)	<u>10,171</u>
<b>Total Federal Programs</b>			<u><u>\$ 7,867,065</u></u>
<b>Reconciliation to Federal Revenue</b>			
Total Federal Program Expenditures			\$ 7,867,065
Revenues in excess of expenditures related to Federal Entitlements:			
Medi-Cal Administrative Activities (MAA)			(95,262)
Federal Advanced Placement Test			(8,938)
Medi-Cal Billing			<u>(19,362)</u>
Total Federal Program Revenue			<u><u>\$ 7,743,503</u></u>

(1) Pass-Through Entity Identifying Number not readily available or not applicable

The District is the recipient of a federal program that does not result in cash receipts or disbursements. The District was granted \$175,965 of commodities under the National School Lunch Program (CFDA 10.555).

See the accompanying notes to the supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**For the Fiscal Year Ended June 30, 2016**

	<u>2017 (Budgeted)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total revenues and sources	\$ 47,888,359	\$ 52,153,161	\$ 47,855,195	\$ 43,382,017
Total expenditures	48,046,426	50,931,186	44,993,036	42,237,292
Total other uses	<u>(282,000)</u>	<u>(487,229)</u>	<u>(1,348,028)</u>	<u>(1,109,839)</u>
Change in fund balance	(440,067)	734,746	1,514,131	34,886
Adjustment for restatement	<u>\$</u>	<u>\$ (181,993)</u>	<u>\$</u>	<u>\$</u>
Ending fund balance	<u>\$ 6,082,694</u>	<u>\$ 6,522,761</u>	<u>\$ 5,970,008</u>	<u>\$ 4,455,877</u>
Available reserve	<u>\$ 5,171,230</u>	<u>\$ 5,525,012</u>	<u>\$ 3,278,289</u>	<u>\$ 4,244,696</u>
Available reserve %	11%	11%	7%	10%
ADA	<u>3,702</u>	<u>3,693</u>	<u>3,856</u>	<u>3,989</u>
Total long term debt	<u>\$ 98,381,883</u>	<u>\$ 99,743,703</u>	<u>\$ 92,070,736</u>	<u>\$ 48,433,486</u>

The amounts above are those reported as General Fund in the Annual Financial and Budget Report and do not include special revenue funds included in the General Fund of the governmental funds' financial statements.

Available reserves are those amounts reserved for economic uncertainty and any other remaining unassigned fund balance from the General Fund.

All percentages are of total expenditures.

The 2017 budget is the original budget adopted on June 28, 2016 and has not been adjusted for significant changes between estimated actuals and unaudited actuals.

For a District this size, the state recommends 3% of total General Fund expenditures, transfers out and other uses. For the year ended June 30, 2016, the District has met this requirement.



**BASSETT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2016**

The District is not the granting agency for any Charter Schools.

See the accompanying notes to the supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH THE AUDITED FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Child Development Fund</u>
June 30, 2016 Annual Financial and Budget Report Fund Balance	\$ 8,517,677	\$ 186,670
Adjustments and Reclassifications:		
Prepaid expenditures	(310,067)	
Accounts payable	(923,526)	
Unearned revenue	<u>290,763</u>	<u>225,676</u>
June 30, 2016 Audited Financial Statement Fund Balance	<u>\$ 7,574,847</u>	<u>\$ 412,346</u>

See the accompanying notes to the supplementary information.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1: PURPOSE OF SCHEDULES**

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

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

**Schedule of Instructional Time**

The District has not met or exceeded its target funding and 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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

**Schedule of Expenditures of Federal Awards**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Schedule of Financial Trends and Analysis**

*The 2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*

**BASSETT UNIFIED SCHOOL DISTRICT**  
**NOTES TO THE SUPPLEMENTARY INFORMATION**  
**For the Fiscal Year Ended June 30, 2016**

**NOTE 1: PURPOSE OF SCHEDULES**

*Reporting* requires that this schedule be prepared showing financial trends of the general fund over the past three fiscal years as well as the current year budget. This report is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

**Schedule of Charter Schools**

The *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* requires that this schedule list all charter schools chartered by the District and inform the users whether or not the charter school information is included in the District's financial statements.

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the annual Financial and Budget Report form to the audited financial statements

## **OPTIONAL SUPPLEMENTARY INFORMATION**

# BASSETT UNIFIED SCHOOL DISTRICT

## COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS June 30, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay	Tax Override	Total Non-Major Governmental Funds
<b><u>Assets</u></b>									
Cash in county treasury	\$ 383,814		\$ 182,135	\$ 238,644	\$ 1,886	\$ 1,052,333	\$ 725,218	\$ 77,862	\$ 2,661,892
Cash in bank			126,431						126,431
Cash in revolving fund			200						200
Cash with fiscal agent			136						136
Accounts receivable	239,120	654,900	247,489	850	6	3,296	3,015	244	1,148,920
Inventories			61,062						61,062
<b>Total Assets</b>	<u>\$ 622,934</u>	<u>\$ 654,900</u>	<u>\$ 617,453</u>	<u>\$ 239,494</u>	<u>\$ 1,892</u>	<u>\$ 1,055,629</u>	<u>\$ 728,233</u>	<u>\$ 78,106</u>	<u>\$ 3,998,641</u>
<b><u>Liabilities and Fund Balances</u></b>									
<b><u>Liabilities</u></b>									
Overdraft - cash in county treasury	\$	\$ 74,612	\$	\$	\$	\$	\$	\$	\$ 74,612
Accounts payable	66,047	167,942	66,580						300,569
Unearned revenue			52,604						52,604
<b>Total Liabilities</b>	<u>66,047</u>	<u>242,554</u>	<u>119,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,785</u>
<b><u>Fund Balances</u></b>									
Nonspendable			61,262						61,262
Restricted	215,587	332,353	283,906	239,494		1,000,000		78,106	2,149,446
Assigned	341,300	79,993	153,101		1,892	55,629	728,233		1,360,148
<b>Total Fund Balances</b>	<u>556,887</u>	<u>412,346</u>	<u>498,269</u>	<u>239,494</u>	<u>1,892</u>	<u>1,055,629</u>	<u>728,233</u>	<u>78,106</u>	<u>3,570,856</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 622,934</u>	<u>\$ 654,900</u>	<u>\$ 617,453</u>	<u>\$ 239,494</u>	<u>\$ 1,892</u>	<u>\$ 1,055,629</u>	<u>\$ 728,233</u>	<u>\$ 78,106</u>	<u>\$ 3,998,641</u>

# BASSETT UNIFIED SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2016

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay	Tax Override	Total Non-Major Governmental Funds
<b>Revenues</b>									
Federal sources	\$ 82,479	\$ 2,446,786	\$ 1,980,435	\$	\$	\$	\$	\$	\$ 4,509,700
Other state sources	2,158,186	1,503,859	158,345						3,820,390
Other local sources	438,058	32,105	655,267	122,508	15	8,247	9,255	611	1,266,066
<b>Total Revenues</b>	<u>2,678,723</u>	<u>3,982,750</u>	<u>2,794,047</u>	<u>122,508</u>	<u>15</u>	<u>8,247</u>	<u>9,255</u>	<u>611</u>	<u>9,596,156</u>
<b>Expenditures</b>									
Instruction	1,030,258	2,289,060							3,319,318
Instruction - related services	770,039	876,941							1,646,980
Pupil services	83,411	439,470	2,899,896						3,422,777
Enterprise activities			16,136						16,136
General administration		63,015	145,597	3,496					212,108
Plant services	238,128	228,153	2,868	400,000			831,401		1,700,550
<b>Total Expenditures</b>	<u>2,121,836</u>	<u>3,896,639</u>	<u>3,064,497</u>	<u>403,496</u>	<u>-</u>	<u>-</u>	<u>831,401</u>	<u>-</u>	<u>10,317,869</u>
Excess (deficiency) of revenues over expenditures	<u>556,887</u>	<u>86,111</u>	<u>(270,450)</u>	<u>(280,988)</u>	<u>15</u>	<u>8,247</u>	<u>(822,146)</u>	<u>611</u>	<u>(721,713)</u>
<b>Other Financing Sources</b>									
Interfund transfers in		204,929							204,929
<b>Total Other Financing Sources</b>	<u>-</u>	<u>204,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,929</u>
Change in fund balance	<u>556,887</u>	<u>291,040</u>	<u>(270,450)</u>	<u>(280,988)</u>	<u>15</u>	<u>8,247</u>	<u>(822,146)</u>	<u>611</u>	<u>(516,784)</u>
<b>Fund Balance - Beginning of Year, as Originally Stated</b>	-	121,306	1,042,328	520,482	1,877	1,047,382	1,550,379	77,495	4,361,249
Adjustment for Restatement (see Note 16)			(273,609)						(273,609)
<b>Fund Balance - Beginning of Year, as Restated</b>	<u>-</u>	<u>121,306</u>	<u>768,719</u>	<u>520,482</u>	<u>1,877</u>	<u>1,047,382</u>	<u>1,550,379</u>	<u>77,495</u>	<u>4,087,640</u>
<b>Fund Balance at End of Year</b>	<u>\$ 556,887</u>	<u>\$ 412,346</u>	<u>\$ 498,269</u>	<u>\$ 239,494</u>	<u>\$ 1,892</u>	<u>\$ 1,055,629</u>	<u>\$ 728,233</u>	<u>\$ 78,106</u>	<u>\$ 3,570,856</u>

**BASSETT UNIFIED SCHOOL DISTRICT**

**NOTES TO THE OPTIONAL SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2016**

**NOTE 1: PURPOSE OF SCHEDULES**

**Combining Fund Financial Statements**

Combining fund balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to the financial statements.



## **OTHER INDEPENDENT AUDITOR'S REPORT**

**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 Education  
Bassett Unified School District  
La Puente, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bassett Unified School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2017. Our report disclaims an opinion on the governmental activities because the District was unable to provide support for the opening balances and fiscal year activity related to capital assets and depreciation, accrued vacation, other post-employment benefits and the early retirement program.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 financial statements will not be prevented, or

**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***

detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-005, to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-003, 2016-004 and 2016-006, to be significant deficiencies.

**Compliance and Other Matters**

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

**District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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***

**Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Vicenti, Lloyd & Stutzman LLP", with a stylized flourish at the end.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
March 28, 2017

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

Board of Education  
Bassett Unified School District  
La Puente, California

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

We have audited Bassett Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The 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 the 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 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 District's compliance.

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-007. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the 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 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 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, yet important enough to merit attention by those charged with governance.

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

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

**Purpose of this Report**

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.

A handwritten signature in black ink, appearing to read "Vicenti, Lloyd & Stutzman LLP", with a stylized flourish at the end.

VICENTI, LLOYD & STUTZMAN LLP  
Glendora, California  
March 28, 2017

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education  
Bassett Unified School District  
La Puente, California

We have audited the Bassett Unified School District's (the District) compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel for the year ended June 30, 2016. The District's state compliance requirements are identified in the table provided.

### **Management's Responsibility**

Management is responsible for compliance with the state laws and regulations as identified below.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 on state compliance. However, our audit does not provide a legal determination of the District's compliance.



# INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

## **Compliance Requirements Tested**

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

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No <sup>1</sup>
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Act	Not Applicable
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Charter Schools:	
Attendance	No <sup>2</sup>
Mode of Instruction	No <sup>2</sup>
Nonclassroom Based Instruction/Independent Study	No <sup>2</sup>
Determination of Funding for Nonclassroom Based Instruction	No <sup>2</sup>
Annual Instructional Minutes – Classroom Based	No <sup>2</sup>
Charter School Facility Grant Program	No <sup>2</sup>

<sup>1</sup>We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

<sup>2</sup>The District is not the granting agency for any Charter Schools.

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

### **Basis for Adverse Opinion on Ratio of Administrative Employees to Teachers**

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding the Ratio of Administrative Employees to Teachers, as described in finding number 2016-008. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### **Adverse Opinion on Ratio of Administrative Employees to Teachers**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the District did not comply in all material respects with the compliance requirements referred to above for the Ratio of Administrative Employees to Teachers for the year ended June 30, 2016.

### **Basis for Qualified Opinion on the After School Education and Safety Program**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, regarding the required match for the After School Education and Safety Program and which is described in the accompanying schedule of findings and questioned costs as item 2016-009. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the After School Education and Safety Program.

### **Qualified Opinion on After School Education and Safety Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the remaining compliance requirements of the After School Education and Safety Program for the year ended June 30, 2016.

### **Unmodified Opinion on Each of the Other State Programs**

In our opinion, the District complied with the laws and regulations of the other state programs referred to above in all material respects for the year ended June 30, 2016.

### **Other Matters**

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

### **Purpose of this Report**

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vicenti, Lloyd & Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP

Glendora, California

March 28, 2017

## **FINDINGS AND QUESTIONED COSTS**

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF AUDITOR RESULTS**  
**June 30, 2016**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?                        X   *Yes*                             *No*

Significant deficiency(ies) identified?                        X   *Yes*                             *None Reported*

Noncompliance material to financial statements noted?                             *Yes*                        X   *No*

**Federal Awards**

Internal control over major federal awards:

Material weakness(es) identified?                             *Yes*                        X   *No*

Significant deficiency(ies) identified?                             *Yes*                        X   *None Reported*

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                        X   *Yes*                             *No*

**Identification of Major Federal Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
93.600	Head Start

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

Auditee qualified as low-risk auditee?                             *Yes*                        X   *No*

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

All audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINANCIAL STATEMENT FINDINGS**

**2016-001      INTERNAL CONTROLS      30000**

**Finding:** During the evaluation of the District's internal controls, we noted the following internal control deficiencies:

Cash Receipts:

- To better protect cash, receipts should be deposited promptly and, at a minimum, once per week. Our audit determined that District Office cash receipts are deposited and processed monthly.
- Cash is not always counted by two or more personnel. Further, there is no documentation, such as signatures, supporting that two or more personnel were present to count cash.
- Cafeteria cash sales are not reconciled by site to the amount deposited.

Cash Disbursements and Expenditures:

- Payroll staff have the ability to do all of the following: approve payroll input, compare time entry to output reports, and prepare the payroll journal and checks.
- A budget was not developed for the Building Fund.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**2016-001      INTERNAL CONTROLS**

**30000**

Journal Entries and Bank Reconciliations:

- Bank reconciliations are not being reviewed after their initial preparation.
- The District does not have a policy in place to write-off stale dated checks and the audit noted one school site with more than 20 outstanding checks issued in excess of 1 year ago.
- The Director of Fiscal Services and Accounting Technician IIs have the ability to initiate, prepare, approve, input, and review their own journal entries.
- There is no documentation as to the individual preparing journal entries or reviewing the entries before posting.
- The District does not have written procedures for journal entry processing.
- The District does not have documented procedures for manually entered data into District's software, including how to identify, correct, and reprocess rejected data or other errors.

**Recommendation:** Processes and workflows should be evaluated to ensure proper internal controls and segregation of duties are implemented. In addition, policies should be written for all areas and followed.

**Corrective Action Plan:** Management has evaluated the process and workflow of the fiscal department and has implemented proper controls and segregation of duties. For example, bank reconciliations are prepared by the Accounting Technician II on a monthly basis and are reviewed by the Director of Fiscal Services. A stale dated check policy has been written and implemented in the Fiscal Services department. The Director of Fiscal Services reviews and approves all of the journal entries before they are entered into the PeopleSoft system. Additionally, if the Director of Fiscal Services inputs a journal entry, the journal entry is then reviewed and approved by the Assistant Superintendent/CBO.

**2016-002      CLOSING PROCEDURES**

**30000**

**Finding:** The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Estimates should be based on the most current information available to management. In addition, year-end accrual balances should follow appropriate recognition and cut-off policies. The following errors were noted during the audit; reclassifying and adjusting entries were recorded to correct errors:

- The prepaid expenditures account was not reconciled and the unadjusted balance contained items totaling \$181,993 that related to previous fiscal years' expenditures and \$128,074 of current outflow. In all cases, the goods and services had been received and

# **BASSETT UNIFIED SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS**

**June 30, 2016**

### **2016-002      CLOSING PROCEDURES**

**30000**

the prepaid was not valid. Adjustments were recorded as noted above.

- Retroactive payroll, approved in June 2016 and paid in August 2016, was not accrued. The amount of retroactive payroll calculated was \$464,438.
- Deferred revenue related to State categorical programs in the General Fund (\$290,763) and Child Development Fund (\$225,676) was calculated incorrectly; in addition, support could not be obtained for a portion of the balance.
- The Warrant Pass-Through fund is not being reconciled as a result there is approximately \$410,000 unreconciled difference.
- Support documentation was not provided for several revenue and expenditure items requested.
- Accrued vacation payable has not been adequately monitored through the year. The documentation provided had no beginning balances, negative vacation time noted, employees with excess time accrued, and some employees had no vacation time documented as used. It was further noted that despite a large turnover in employees from year to year, the liability still increased.
- During the year there was turnover in key areas of the accounting department. There were no policies and procedures formally documented to ensure that staff understood the roles and responsibilities of other personnel. This resulted in various errors and omissions in the accounting records during the closing process.

**Recommendation:** Policies and procedures related to the closing process established by the District should be followed. Cross training employees and/or documenting responsibilities of specific functions and key responsibilities should be done to ensure that tasks are followed even in the absence of key personnel. Review by individuals not immediately involved in the closing process should be done to identify errors or omissions.

**Corrective Action Plan:** Bassett Unified School District management staff has established procedures related to closing procedures for Fiscal Services department staff. Written desk manuals are currently being developed for each desk that includes desk duties and how to perform those duties. Management has also implemented departmental cross training within business services to ensure consistency and work completion in the absence of key personnel.



**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**2016-003      ATTENDANCE – CONTINUATION HIGH SCHOOL      10000**

**Criteria:** Attendance should be recorded hourly and entered into the attendance system daily.

**Condition:** During our testing of Nueva Vista Continuation High School attendance, we noted that attendance was not input for the week of March 7 – 11, 2016. We also noted that the internal bell schedule was not programed to reflect the different schedules, including regular or minimum days.

**Context:** One week, the week of March 7 - 11, 2016.

**Effect:** Understatement of ADA.

**Cause:** Misunderstanding of the requirements for recording positive attendance.

**Questioned Costs and Units:** 1.85 ADA in questioned costs were estimated based on average daily hourly attendance. The total is calculated from total hours at P-2 of 20,353.25, divided by 133 days of attendance actually recorded equals 153 hours average per day. 153 hours average per day multiplied by 5 days of missing attendance equals 765 missing hours, or 1.85 ADA.

**Recommendation:** Proper training and procedures should be in place over attendance taking. Because the above questioned costs were estimated, the District should determine the actual hourly attendance for that week and update the attendance reporting system. Once complete, the attendance reports should be revised as needed. In addition, the site and District should review attendance monthly to ensure information was input accurately.

**Corrective Action Plan:** The Bassett Unified School District has purchased and implemented new attendance software (Illuminate Education). With the new implementation of the software, proper training for the software and attendance reporting has been provided to staff including school office assistants, clerks, and administrators in order to ensure correct attendance reporting.

**2016-004      ATTENDANCE – DISTRICT OFFICE      10000**

**Criteria:** Policies and procedures must be followed by the District for the monitoring and reporting of attendance.

**Condition:** Through review of the internal controls over attendance accounting the following deficiencies were noted:

- The school reports do not provide for a reconciliation of enrollment or potential ADA to actual.
- The school sites do not provide their attendance reports to the District Office. The

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**2016-004      ATTENDANCE – DISTRICT OFFICE**

**10000**

sites also do not review their attendance for reasonableness, verification of arithmetic accuracy nor perform a reconciliation of enrollment from month to month.

- There are no documented procedures or procedures performed by the District Office or Site to communicate the correction of errors discovered in subsequent months.
- No one at the District Office is reviewing the attendance reports for reasonableness or accuracy.
- The District was unable to provide approval from the State for their attendance accounting forms and procedures.
- In comparing the District's generated attendance reports with school site generated reports, there was a difference in actual attendance. The differences for the three sites examined netted to approximately 15 absences in one attendance month. In addition, it was noted that the individual performing the attendance reporting function does not have a process to monitor attendance on a monthly basis.

**Context:** Systemic.

**Effect:** Potential misstatement of ADA.

**Cause:** Unknown, however likely due to the many changes with District personnel.

**Questioned Costs and Units:** There are no likely questioned costs. It appears that the District utilized reports generated just prior to submission of P-2 to include the most current data, so there is no indication that ADA is misstated. All amounts reported on the P-2 reconciled to the reports generated from the attendance software.

**Recommendation:** District personnel should develop, document and monitor procedures over the attendance accounting function. Communication should be made between Site and District Office regarding subsequent changes to attendance activity.

**Corrective Action Plan:** The District has implemented procedures inclusive of Accounting Technician II's reviewing, monitoring, and tracking attendance every month. Additionally, Accounting Technician's work with attendance personnel at school sites to correct any errors reported. There is a continuous communication between the district's Accounting Technician II's and site personnel. The Accounting Technician II compiles the quarterly attendance report, which is then reviewed and approved by the Director of Fiscal Services and the Assistant Superintendent/CBO before submission to county, state, and other agencies.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

<b>2016-005</b>	<b><u>GOVERNMENT-WIDE CONVERSION ENTRIES</u></b>	<b>60000</b>
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**Finding:** In order to present the District's financial statements in a full-accrual model, documentation must be maintained to support those entries required under GASB 34 as related to long-term debt activity and fixed assets. Entries are made to reduce the activity of the governmental funds current-measure focus to a long-range presentation inclusive of long-term assets and liabilities. Balances were unable to be substantiated for the following areas and resulted in a disclaimer opinion on the governmental activities of the District:

- The District's fixed asset schedule is not complete and is valued at appraisal value in violation to GASB 34, which requires capital assets to be recorded at historical cost. The District was also unable to provide documentation supporting construction in process or depreciation. We were unable to audit the beginning balance and the current year activity related to capital assets and depreciation as of June 30, 2016.
- The District was unable to provide documentation for long-term debt activity related to the early retirement incentive, compensated absences or postemployment healthcare benefits obligation for audit. The District has not obtained an actuarial study for the early retirement incentive program. An actuarial study must be performed as there are certain individuals receiving lifetime benefits. Additionally, the District has not obtained an updated actuarial study for the postemployment healthcare benefits obligation. The most recent study available is as of October 1, 2013. The District was also unable to provide documentation of the amount of payments made for retiree benefits to reasonably recognize the change in the postemployment healthcare benefits obligation.

The effect on the District's government-wide financial statements and disclosures due to the above omissions cannot be readily determined.

**Recommendation:** District personnel should continue to work on improving documentation and process among all aspects of the District's reporting, including governmental activities. Maintain source documentation for amounts reported on the fixed assets and long-term debt schedule to properly support amounts disclosed. Report capital assets at historical cost and monitor construction in progress capitalizing once completed. Obtain the required actuarial studies now and timely in future years.

**Corrective Action Plan:** The District is in the process of vetting to hire a consulting firm to review the district's assets and create a historical data base of the district's assets that can be utilized in the future for the GASB 34 capital assets entry. Next, actuaries have been contracted to perform a detailed actuarial study on District's OPEB obligations. The actuaries report should be available soon for submission to the independent auditor for further review.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

<b>2016-006</b>	<b><u>ROUTINE RESTRICTED MAINTENANCE</u></b>	<b>60000</b>
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**Criteria:** According to Education Codes 17014 and 17070.75, the District is required to calculate and set aside an amount equal to or greater than 3% of the District's General Fund for major maintenance, repair and replacement of school facilities.

**Condition:** The District was unable to demonstrate that a sufficient amount was set aside for the purposes of routine maintenance. The District provided documentation that approximately \$282,000 was set aside. However, based on the audited calculation of 3% of General Fund expenditures the amount of the transfer should have been approximately \$1,471,000.

**Recommendation:** District personnel to calculate the routine maintenance transfer for 2016-17 and ensure that 3% of the General Fund expenditures are properly transferred as required above.

**Corrective Action Plan:** For Fiscal Year 2016-17 and the outgoing years the district has adopted and set aside properly calculated RRMA contributions of 3% for the purposes of routine maintenance as required and defined in Education Codes 17014 and 1707.75.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO FEDERAL AWARDS**  
**June 30, 2016**

**FEDERAL AWARDS FINDINGS**

**2016-007      SPECIAL EDUCATION: TIME CERTIFICATIONS      50000**

**Federal Program:** Special Education Cluster  
**CFDA Number:** 84.027, 84.027A, 84.173, and 84.173A  
**Federal Award Number & Year:** Not Available  
**Federal Agency:** Department of Education  
**Name of Pass-Through Agency:** California Department of Education  
**Program Expenditures:** \$1,236,713

**Criteria:** As indicated in compliance requirement B) Activities Allowable/Unallowable, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Documentation should reasonably reflect the total activity for which the employee is compensated, encompass both federally assisted and all other activities compensated and support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award. Reports should be prepared timely and signed by the individual and their reporting supervisor.

**Condition:** During our testing of the Special Education program, we noted that documentation to support time and effort working in the program were not being prepared for eight of 15 employees tested as charged to Special Education that served as instructional assistants or substitutes.

**Context:** Based on sample selection of employees charged to the program. We were not provided with after the fact documentation, however we were able to determine through alternative procedures that the employee's time and effort was attributed to the program as indicated below.

**Effect:** The District is not in compliance with 2 C.F.R. 200.430(i).

**Cause:** Unknown.

**Questioned Costs and Units:** No questioned costs identified; satisfactory evidence was obtained through alternative audit procedures to verify employee's time and effort towards the program.

**Recommendation:** Implement procedures to ensure time and effort reports are prepared on a timely basis.

**Corrective Action Plan:** The District has engaged key administrative staff including the Assistant Superintendent/CBO, Assistant Superintendent, Educational Services, Director of Special Education, Director of Fiscal Services, and Director of Administrative Services/HR to implement effective procedures to ensure time and effort reports are prepared correctly, timely and accurately by staff. Additionally, special education staff is scheduled for multiple training workshops to build knowledge base with program requirements.

**BASSETT UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**RELATED TO STATE AWARDS**  
**June 30, 2016**

**STATE COMPLIANCE FINDINGS**

**2016-008      RATIO OF ADMINISTRATIVE EMPLOYEES TO TEACHERS      40000**

**Criteria:** As defined in Education Code sections 41401 and 41403, the District is required to maintain compliance with the administrative employee to teacher ratio.

**Condition:** For the 2015-16 year, the District was required to have no more than 14.88 administrative employees based on the number of teachers for a unified school district. The District's calculation and support disclosed that there were 20 administrative employees, creating an excess of 5 administrative FTEs (rounded).

**Context:** Systemic

**Effect:** The District is out of compliance with Education Code sections 41401 and 41403.

**Cause:** Unknown

**Questioned Costs and Units:** \$225,313 and 5 administrative FTEs in excess

**Recommendation:** Review the employee classifications including the number of employees early in the year to make necessary changes to ensure the District complies with the adequate ratio.

**Corrective Action Plan:** In FY 2016-17 and the outgoing years the District has reduced administrative staff and will continue to monitor administrator to teacher ratios and align staffing in compliance with Education Code Sections 41401 and 41403.

**2016-009      AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (ASES):  
IN-KIND MATCHING CALCULATION      40000**

**Criteria:** Education Code Section 8483.7.(a)(7) requires the District to provide an amount of cash or in-kind local funds equal to not less than one-third of the total grant from the school district, governmental agencies, community organizations, or the private sector. In addition, facilities or space usage may fulfill not more than 25 percent of the local contribution.

**Condition:** An estimated calculation of the in-kind match was provided; however, the District was unable to provide support as to how the match was calculated.

**Effect:** The District is out of compliance with Education Code Section 8483.7(a)(7).

**Cause:** Unknown

**BASSETT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
RELATED TO STATE AWARDS**

**June 30, 2016**

<b>2016-009</b>	<b><u>AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (ASES):</u></b>	
	<b><u>IN-KIND MATCHING CALCULATION</u></b>	<b>40000</b>

**Questioned Costs and Units:** \$212,500 in questioned costs (\$637,500 state grant multiplied by one-third to equal required in-kind matching funds).

**Recommendation:** The District should work with their ASES provider to calculate the required in-kind match and maintain support of the activities and expenses incurred to satisfy the requirement.

**Corrective Action Plan:** The Bassett Unified School District will work with the ASES provider to ensure that the in-kind matching local funds is calculated and supported by expenditures and/or activities incurred during the fiscal year

## **BASSETT UNIFIED SCHOOL DISTRICT**

### **STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**June 30, 2016**

#### **2015-001      RECORDING AND MONITORING OF BOND TRANSACTIONS      30000**

**Observation:** During our examination of the bond transactions during the year, we noted that the District had three additional bond issuances. Of this three, two had not been recorded properly in the books of the District. These two bonds were issued for the purpose of partial defeasance of the 2004 General Obligation Bonds Election Series A and B.

Unrecorded bond transactions amounted to \$15,105,000 (2014 General Obligation Refunding Bonds Series A - \$8,690,000 and Series B - \$6,415,000). The proceeds of these bonds were deposited to an escrow account to partially retire 2004 General Obligation Bonds Election Series A and B had been partially retired in the amount of \$14,900,000. The bond issuances and defeasances were not recorded in the books of the District along with the bonds issuance costs and other related fees in connection with the new bonds obtained.

**Recommendation:** We recommend that the District's finance department maintain and monitor proper records relating to the bonds issued and related bond post-issuance transactions and activities. The finance department should also provide timely reports related to the said monitoring and custody of bond proceeds. The Finance Department is responsible for the District's debt administration activities, particularly monitoring compliance with bond covenants, monitoring use of proceeds of bonds or other debt, monitoring use of facilities financed and continue disclosures.

If proper recording and monitoring have not been maintained, the District may have difficulty demonstrating compliance with standard requirements once subject to financial and other compliance audits.

**Current Status:** Implemented

#### **2015-002      MAINTENANCE OF SUPPORTING DOCUMENTS FOR PURCHASES AND DISBURSEMENTS      30000**

**Observation:** During our testing of cash disbursements and purchases we noted that a number of invoices cannot be located by the accountant. We were informed that the employee in-charge of maintaining documents resigned. Nine of the invoices requested were missing, totaling approximately \$118,000.

**Recommendation:** We recommend that the District review its current internal controls policy and procedures regarding its disbursements and purchases process. Supporting documents for disbursements and purchases should be properly maintained. The finance department should ensure easy tracking of invoice records. All invoices should be handled by the accounting department first before being sent out for approval. This way the invoice can be logged and properly recorded with copies scanned or maintained appropriately.

**Current Status:** Not implemented. See findings 2016-001 and 2016-002.