BONITA UNIFIED SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Education
Bonita Unified School District
San Dimas, 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 Bonita Unified School District, as of and for the fiscal year ended June 30, 2014, 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District, as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

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Emphasis of Matter
As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. The adoption of this standard required retrospective application resulting in a $1,437,832 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, budgetary comparison information on page 41, and schedule of funding progress on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bonita Unified School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated October 22, 2014 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 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.

Nigro + Nigro, PC

Murrieta, California
October 22, 2014

This discussion and analysis of Bonita Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $4.9 million, or 7.2%.
- Governmental expenses were approximately $99.6 million. Revenues were approximately $94.7 million.
- The District spent more than $16.1 million on new capital assets during the year, much of which was for the continued construction on the performing arts center.
- The District increased its outstanding long-term debt by $27.0 million primarily due to the issuance of $27.3 million in general obligation bonds.
- Grades K-12 average daily attendance (ADA) increased by 122, or 1.3%.

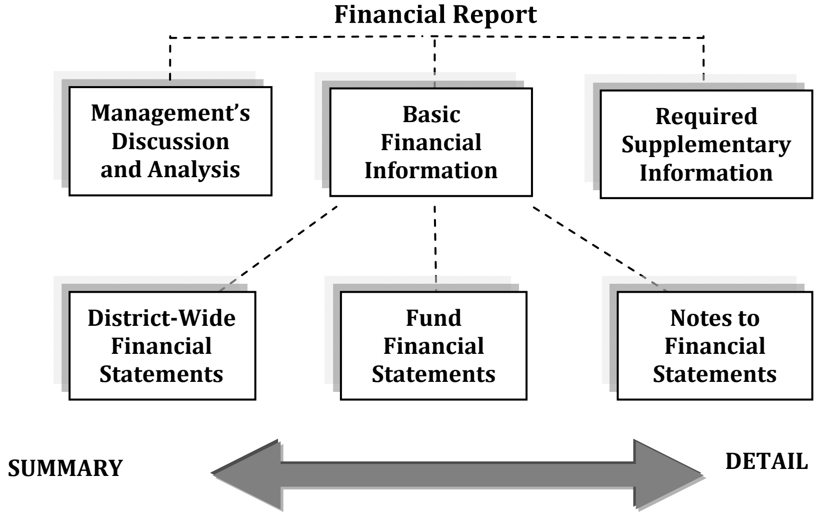
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Bonita Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2014, than it was the year before – decreasing 7.2% to $62.8 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase
	2014	**2013***	**(Decrease)**
Current assets	$ 68.8	$ 66.7	$ 2.1
Capital assets	145.6	135.5	10.1
Total assets	214.3	202.2	12.1
Total deferred outflows	2.4	2.6	(0.2)
Current liabilities	5.9	16.1	(10.2)
Long-term liabilities	148.0	121.0	27.0
Total liabilities	153.9	137.1	16.8
Net position			
Net investment in capital assets	49.2	52.4	(3.2)
Restricted	11.3	10.0	1.3
Unrestricted	2.3	5.3	(3.0)
Total net position	$ 62.8	$ 67.7	$ (4.9)

* As restated

Changes in net position, governmental activities. The District's total revenues increased 6.3% to $94.7 million (See Table A-2). The increase is due primarily to federal and state aid.

The total cost of all programs and services increased 8.9% to $99.6 million. The District's expenses are predominantly related to educating and caring for students, 73.5%. The purely administrative activities of the District accounted for just 5.5% of total costs. A significant contributor to the increase in costs was due to increase in compensation to District personnel.

Table A-2

	Governmental Activities (In millions)		Variance Increase
	2014	**2013**	**(Decrease)**
Total Revenues	$ 94.7	$ 89.1	$ 5.6
Total Expenses	99.6	91.5	8.1
Increase (decrease) in net position	$ (4.9)	$ (2.4)	$ (2.5)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $64.9 million, which is above last year's ending fund balance of $52.3 million. The primary cause of the increased fund balance is due to the issuance of general obligation bonds for $27.3 million offset by spending on new capital assets.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $8.2 million primarily to reflect changes in federal and state funding.
- Salaries and benefits costs – increased $2.5 million due to negotiated increases with District personnel.
- Books and supplies – increased $3.7 million to re-budget carryover funds from the previous year.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $5.2 million, the actual results for the year show that revenues fell short of expenditures by roughly $1.5 million. Actual revenues were $0.4 million less than anticipated, and expenditures were $4.0 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2013-14 the District invested $16.1 million in new capital assets, including work performed on various modernization projects. Total depreciation expense for the year was roughly $6.0 million (More detailed information about capital assets can be found in Note 6 to the financial statements).

Table A-3: Capital Assets at Year-End, Net of Depreciation

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2014	2013	
Land	$ 1.7	$ 1.7	$ -
Improvement of sites	8.7	9.1	(0.4)
Buildings	89.7	94.6	(4.9)
Equipment	2.7	2.7	-
Construction in progress	42.8	27.4	15.4
Total	$ 145.6	$ 135.5	$ 10.1

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had $148.0 million in general obligation bonds, certificates of participation, capital leases, compensated absences, early retirement incentives, and other postemployment benefits – an increase of 22.3% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (In millions)		Variance Increase
	2014	2013	(Decrease)
General obligation bonds	$ 137.0	$ 110.7	$ 26.3
Certificates of participation	2.5	3.0	(0.5)
Capital leases	0.3	0.1	0.2
Compensated absences	1.3	1.3	(0.0)
Early retirement incentive	1.0	1.1	(0.1)
Other postemployment benefits	5.9	4.8	1.1
Total	$ 148.0	$ 121.0	$ 27.0

FACTORS BEARING ON THE DISTRICT'S FUTURE

Budget Overview

The Governor signed the *2014-15 Budget Act* on June 20, 2014. In late June, the Governor signed 17 budget-related bills into law. The 2014-15 budget package assumes total state spending of $152.3 billion, an increase of 8.6 percent over revised totals for 2013-14. This consists of $108 billion from the General Fund and the Education Protection Account created by Proposition 30 (2012), and $44.3 billion from special funds. The budget package assumes spending from federal funds to be $98 billion, an increase of 20.9 percent over 2013-14 revised levels, mainly due to increases in the health area of the budget. Bond spending is expected to decline 53 percent in 2014-15.

Major Features of the 2014-15 Spending Plan

Similar to the 2013-14 budget, the 2014-15 spending plan makes targeted augmentations in a few areas while paying down several billion dollars in key liabilities. In addition, if certain revenue and other targets are met, additional spending—mostly for paying down debt—would be "triggered" under the budget plan.

Fully Funds CalSTRS Pension Program

As of the end of 2012-13, the California State Teachers' Retirement System (CalSTRS) had a $74 billion shortfall. Budget-related legislation aims to erase the unfunded liability in 32 years by increasing contributions from the state, school and community college districts, and teachers.

Proposition 98

The budget plan includes large Proposition 98 funding increases for schools and community colleges. The Proposition 98 budget continues implementation of the Local Control Funding Formula, pays down most of the remaining payment deferrals, and pays down several hundred million dollars of other Proposition 98 obligations.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Spending Changes
Funding for K-14 education increases significantly under the new budget package. In the sections that follow, we describe how the State is spending these funds.

Deferral Payments

Pays Down $5.2 Billion in Outstanding Deferrals
The budget package pays down $5.2 billion in outstanding deferrals ($4.7 billion for schools and $498 million for community colleges). Of the total paydown, $1.4 billion is designated as 2012-13 spending, $3.1 billion is designated as 2013-14 spending, and $662 million is designated as 2014-15 spending. Under the budget plan, $992 million in deferrals ($897 million for schools and $94 million for community colleges) would remain outstanding at the end of 2014-15.

Eliminates Remaining Deferrals if Minimum Guarantee Exceeds Estimates
The budget package pays down additional deferrals (potentially eliminating all outstanding deferrals) if subsequent estimates of the 2013-14 and 2014-15 minimum guarantees are higher than the administration's May 2015 estimates. Effectively, the budget plan earmarks the first $992 million in potential additional 2013-14 and 2014-15 spending for deferral paydowns.

Mandates

Pays Down $450 Million in Outstanding Education Mandate Claims
We estimate the State currently has a backlog of more than $5 billion in unpaid claims for education mandates. The budget includes $400 million to reduce the mandate backlog for schools. (Of this amount, $287 million is 2014-15 Proposition 98 funding and $113 million is from unspent prior-year fund.) Funds will be distributed to schools and community colleges on a per-student basis.

Adds Several Mandates to School and Community College Block Grants
The Commission on State Mandates recently approved seven new reimbursable education mandates. Six of these mandates apply to schools, two apply to community colleges, and one applies to both schools and community colleges. For schools, the budget adds to the block grant mandates related to (1) parental involvement procedures, (2) compliance activities associated with the *Williams v. California* case, (3) uniform complaint procedures, (4) developer fees, (5) charter school oversight, and (6) public contracts.

Energy Grants

State Provides Second-Year Funding for Energy Projects
Passed by voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five-year period, starting in 2013-14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 budget provides $345 million Proposition 98 General Fund for Proposition 39 school and community college energy programs. Specifically, the budget provides $279 million for school grants, $38 million for community colleges grants, and $28 million for the revolving loan program for both schools and community colleges. (Estimates of Proposition 39 revenues are lower in 2014-15 compared to 2013-14, resulting in less provided for school and community college grants.) The budget also provides $8 million non-Proposition 98 General Fund for Proposition 39 job-training programs administered by the California Conservation Corps ($5 million) and the California Workforce Investment Board ($3 million).

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Chapter 751 Obligation

Makes Final $410 Million Payment on Outstanding Proposition 98 Obligations From 2004-05 and 2005-06
The 2014-15 budget makes a final $410 million payment to retire the state's obligation set forth in Chapter 751, Statutes of 2006 (SB 1133, Torlakson). Chapter 751 required the state to provide additional annual school and community college payments until a total of $2.8 billion had been provided. Of the amount provided in the budget package, $316 million is for continued funding of the QEIA program ($268 million for schools and $48 million for community colleges) and $94 million is to pay down a separate state obligation related to school facility repairs.

K-12 Education
The largest K-12 augmentation is for the second-year phase in of the recently adopted Local Control Funding Formula (LCFF). The budget also includes several other school-specific augmentations—some of which relate to school operations and some of which relate to school infrastructure. In addition to these budget actions, the Legislature adopted trailer legislation relating to school district reserves and independent study (IS) programs.

Operational Funding

Provides $4.7 Billion for LCFF Implementation
The budget plan includes $4.7 billion in additional funding for the school district LCFF—resulting in per-pupil LCFF funding that is 12 percent higher than 2013-14 levels. The additional funding is sufficient to close 29 percent of the gap between districts' 2013-14 funding levels and their target funding rates. We estimate the 2014-15 funding level is approximately 80 percent of the full implementation cost. The budget also includes $26 million for the LCFF for county offices of education (COEs). This increase is sufficient to bring all COEs up to their LCFF funding targets in 2014-15.

Other Notable K-12 Actions
The budget provides $54 million to continue implementation of new student assessments and $33 million to provide a cost-of-living adjustment (COLA) for several K-12 programs (including special education and child nutrition programs).

Infrastructure

Allocates $189 Million for Emergency Repair Program (ERP)
Chapter 899, Statutes of 2004 (SB 6, Alpert), created the ERP to fund critical repair projects at certain low-performing schools. Chapter 899 requires the state to contribute a total of $800 million for the program. The state has provided $338 million to date. The budget provides $189 million for the ERP in 2014-15.

Allocates $27 Million in One-Time Funds for School Internet Infrastructure
The budget includes $27 million in one-time Proposition 98 funding for schools to purchase Internet connectivity infrastructure upgrades required to administer new computer-based tests. Grantees are to be selected based on the results of a statewide assessment of schools' Internet connectivity infrastructure to be completed by the K-12 High-Speed Network (HSN) by March 1, 2015.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Shifts Remaining Bond Authority Among Certain School Facility Programs
The budget package shifts remaining bond authority from the Career Technical Education (CTE) and High Performance Incentive (HPI) school facility programs to the New Construction and Modernization facility programs.

Local Reserves

Requires School Districts to Disclose and Justify Reserves
Chapter 32, Statutes of 2014 (SB 858, Committee on Budget and Fiscal Review), creates new disclosure requirements effective beginning in 2015-16 for districts that have reserves exceeding state-specified minimums. If a district's budget reserve exceeds the state minimum, Chapter 32 requires the district to identify the amount of reserves that exceed the minimum and explain why the higher reserve levels are necessary. The district must disclose this information in a public meeting and each time it submits a budget to its COE.

Caps Local Reserves Some Years Under Proposition 2
Proposition 2 on the November 2014 ballot set forth new constitutional provisions relating to state reserves, including provisions relating to a new state reserve for schools. With the voters approving Proposition 42, certain provisions of Chapter 32 go into effect. These provisions cap school districts' reserve levels the year after the state makes a deposit into the new state reserve for schools. The caps for most districts will range from 3 percent to 10 percent of a district's annual expenditures.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2014-15 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (909) 971-8320.

BONITA UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

	Total Governmental Activities
ASSETS	
Current Assets:	
Cash	$ 57,589,553
Investments	970,580
Accounts receivable	10,091,895
Inventories	79,366
Total current assets	68,731,394
Capital Assets:	
Non-depreciable assets	44,538,114
Depreciable assets	159,454,711
Less accumulated depreciation	(58,421,340)
Total capital assets, net of depreciation	145,571,485
Total assets	214,302,879
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	2,432,639
LIABILITIES	
Current Liabilities:	
Accounts payable	5,945,219
Total current liabilities	5,945,219
Long-term Liabilities:	
Due or payable within one year	3,652,396
Due or payable after one year	144,336,850
Total long-term liabilities	147,989,246
Total liabilities	153,934,465
NET POSITION	
Net investment in capital assets	49,213,682
Restricted for:	
Capital projects	2,646,450
Debt service	6,938,370
Categorical programs	1,717,888
Unrestricted	2,284,663
Total net position	$ 62,801,053

BONITA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				
Instructional services:				
Instruction	$ 56,694,590	$ 27,689	$ 9,599,949	$ (47,066,952)
Instruction-related services:				
Supervision of instruction	2,087,332	2,424	865,831	(1,219,077)
Instructional library, media and technology	674,588	-	1,897	(672,691)
School site administration	5,464,345	-	58,939	(5,405,406)
Pupil support services:				
Home-to-school transportation	1,442,816	30	5,935	(1,436,851)
Food services	2,026,031	731,508	1,325,452	30,929
All other pupil services	4,870,998	2,644	1,416,256	(3,452,098)
General administration services:				
Data processing services	1,584,346	-	161,679	(1,422,667)
Other general administration	3,888,963	11,229	506,832	(3,370,902)
Plant services	8,784,038	52,597	605,554	(8,125,887)
Ancillary services	1,071,644	-	600	(1,071,044)
Community services	1,852,092	-	-	(1,852,092)
Interest on long-term debt	7,362,071	-	-	(7,362,071)
Other outgo	1,805,241	5,498	1,113,541	(686,202)
Total Governmental Activities	$ 99,609,095	$ 833,619	$ 15,662,465	(83,113,011)

General Revenues:	
Property taxes	19,175,625
Federal and state aid not restricted to specific purpose	53,240,091
Interest and investment earnings	341,550
Interagency revenues	44,641
Miscellaneous	5,428,283
Total general revenues	78,230,190
Change in net position	(4,882,821)
Net position - July 1, 2013, as originally stated	69,121,706
Adjustments for restatements	(1,437,832)
Net position - July 1, 2013, as restated	67,683,874
Net position - June 30, 2014	$ 62,801,053

BONITA UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 7,063,271	$ 39,050,567	$ 6,938,370	$ 4,537,345	$ 57,589,553
Investments	-	-	-	970,580	970,580
Accounts receivable	9,331,450	102,518	-	216,443	9,650,411
Inventories	61,719	-	-	17,647	79,366
Total Assets	$ 16,456,440	$ 39,153,085	$ 6,938,370	$ 5,742,015	$ 68,289,910
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 2,856,232	$ 407,195	$ -	$ 138,118	$ 3,401,545
Total Liabilities	2,856,232	407,195	-	138,118	3,401,545
Fund Balances					
Nonspendable	151,719	-	-	17,647	169,366
Restricted	1,533,518	38,745,890	6,938,370	5,188,557	52,406,335
Assigned	1,581,542	-	-	397,693	1,979,235
Unassigned	10,333,429	-	-	-	10,333,429
Total Fund Balances	13,600,208	38,745,890	6,938,370	5,603,897	64,888,365
Total Liabilities and Fund Balances	$ 16,456,440	$ 39,153,085	$ 6,938,370	$ 5,742,015	$ 68,289,910

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total fund balances - governmental funds		$ 64,888,365
Capital assets used in governmental *activities* are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $203,992,825 and the accumulated depreciation is $58,421,340.		145,571,485
In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were:		441,484
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as deferred outflow of resources. The remaining deferred charges on refunding at the end of the period was:		2,432,639
In governmental funds, interest on long term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(2,543,674)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
General obligation bonds	137,021,016	
Certificates of participation	2,502,994	
Capital leases	261,290	
Compensated absences	1,295,732	
Early retirement incentive	1,003,309	
Other postemployment benefits	5,904,905	(147,989,246)
Total net position - governmental activities		$ 62,801,053

BONITA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 62,253,455	$ -	$ -	$ -	$ 62,253,455
Federal sources	2,666,155	-	975,327	1,428,463	5,069,945
Other state sources	5,413,551	-	172,435	99,907	5,685,893
Other local sources	9,877,113	170,029	7,034,279	4,635,562	21,716,983
Total Revenues	80,210,274	170,029	8,182,041	6,163,932	94,726,276
EXPENDITURES					
Current:					
Instruction	50,135,214	-	-	-	50,135,214
Instruction-Related Services:					
Supervision of instruction	2,025,433	-	-	61,899	2,087,332
Instructional library, media and technology	674,588	-	-	-	674,588
School site administration	5,456,666	-	-	-	5,456,666
Pupil Support Services:					
Home-to-school transportation	1,308,353	-	-	-	1,308,353
Food services	7,412	-	-	2,011,801	2,019,213
All other pupil services	4,857,333	-	-	8,343	4,865,676
Ancillary services	1,070,822	-	-	-	1,070,822
Community services	75,091	-	-	1,772,102	1,847,193
General Administration Services:					
Data processing services	1,679,347	-	-	-	1,679,347
Other general administration	3,911,401	-	-	3,525	3,914,926
Plant services	7,591,032	65,654	-	1,034,379	8,691,065
Transfers of indirect costs	(149,117)	-	-	149,117	-
Capital Outlay	1,062,894	14,584,077	-	78,719	15,725,690
Intergovernmental Transfers	1,805,241	-	-	-	1,805,241
Debt Service:					
Issuance costs	182,688	145,000	-	-	327,688
Principal	44,454	-	1,785,000	243,819	2,073,273
Interest	17,160	-	5,285,048	608,792	5,911,000
Total Expenditures	81,756,012	14,794,731	7,070,048	5,972,496	109,593,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,545,738)	(14,624,702)	1,111,993	191,436	(14,867,011)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	972,255	-	-	500,375	1,472,630
Interfund transfers out	-	-	-	(1,472,630)	(1,472,630)
Proceeds from capital leases	192,757	-	-	-	192,757
Proceeds from general obligation bonds	-	27,300,000	-	-	27,300,000
Total Other Financing Sources and Uses	1,165,012	27,300,000	-	(972,255)	27,492,757
Net Change in Fund Balances	(380,726)	12,675,298	1,111,993	(780,819)	12,625,746
Fund Balances, July 1, 2013	13,980,934	26,070,592	5,826,377	6,384,716	52,262,619
Fund Balances, June 30, 2014	$ 13,600,208	$ 38,745,890	$ 6,938,370	$ 5,603,897	$ 64,888,365

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

Total net change in fund balances - governmental funds		$ 12,625,746
Amounts reported for governmental *activities* in the statement of activities are different because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	16,112,878	
Depreciation expense	(6,013,131)	
Net:		10,099,747
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,067,606
In governmental funds, proceeds from issuance of long-term debt are reported as other financing sources. In the government wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were:		(28,412,628)
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is:		(162,176)
In governmental funds, accreted interest is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest accrued during the year and accreted interest paid is:		(12,176)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposals of capital assets and the resulting gain or loss is:		(69,716)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:		353,094
In governmental funds, other postemployment benefits (OPEB) costs are recognized when employer contributions are made. In the statement of activites, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(1,137,549)
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period, is:		(376,587)
In the statement of activities, certain operating expenses - such as compensated absences and early retirement incentives, for example, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The difference between compensated absenses and early retirement incentives paid and earned was:		141,818
Change in net position of governmental activities		$ (4,882,821)

BONITA UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2014

	Agency Funds		
	Payroll Clearance Fund	Student Body Funds	Total
ASSETS			
Cash	$ 391,027	$ 610,924	$ 1,001,951
Inventories - supplies and materials	-	45,889	45,889
Total assets	$ 391,027	$ 656,813	$ 1,047,840
LIABILITIES			
Due to regulatory agencies	$ 391,027	$ -	$ 391,027
Due to student groups	-	656,813	656,813
Total liabilities	$ 391,027	$ 656,813	$ 1,047,840

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District has no component units that meet the criteria of GASB Statement No. 14 to be included in the financial statements of the District.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Bond Interest and Redemption Fund: This Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Deferred Maintenance Fund: This fund is used to account for resources committed to major repair or replacement of District property.

Capital Projects Funds:

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Capital Projects Funds for Blended Component Units: This fund is used to account for the activity of the maintenance assessment district.

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in Net Position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: These funds are used to account for assets of others for which the District acts as an agent. The "due to regulatory agencies" account within the payroll clearing fund is used to record dedicated funds for payroll and related expenses. The District also maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District that maintain a student body fund.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

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

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Cash Equivalents
The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

3. Capital Assets
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, bass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

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

5. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

6. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. This item is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

G. New GASB Pronouncement

During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

Statement No. 65, *Items Previously Reported as Assets and Liabilities (Issued 03/12)*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by $1,437,832, which is the amount of unamortized debt issuance costs at July 1, 2013.

Concepts Statement No. 4, *Elements of Financial Statements,* introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2014 are reported at fair value and consisted of the following:

	Rating	Governmental Activities/Funds	Fiduciary Funds
Pooled Funds:			
Cash in County Treasury		$ 57,473,901	$ 391,027
Deposits:			
Cash on hand and in banks		25,652	610,924
Cash in revolving fund		90,000	-
Total deposits		115,652	610,924
Total cash		$ 57,589,553	$ 1,001,951
Investments:			
U.S. Bank First American Treasury Obligations	AA	$ 970,580	

Investment security ratings reported as of June 30, 2014 are defined by Standard and Poors.

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
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 policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)

As of June 30, 2014, $130,768 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2014 consist of the following:

		Maturity	
	Fair Value	Less Than One Year	One Year Through Five Years
Investment maturities:			
U.S. Bank First American Treasury Obligations	$ 970,580	$ 970,580	$ -

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2014, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had the following investments that represents more than five percent of the District's net investments.

First America Treasury Obligations	
U.S. Bank First American Treasury Obligations	100%

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:				
Categorical aid programs	$ 300,558	$ -	$ 180,954	$ 481,512
State Government:				
LCFF sources	5,613,000	-	-	5,613,000
Lottery	798,185	-	-	798,185
Categorical aid programs	480,211	-	10,657	490,868
Local:				
Interest	30,643	102,518	18,308	151,469
Special education	1,633,524	-	-	1,633,524
Miscellaneous	475,329	-	6,524	481,853
Totals	$ 9,331,450	$ 102,518	$ 216,443	$ 9,650,411

NOTE 4 - INTERFUND ACTIVITIES

Transfers To/From Other Funds
Transfers to/from other funds at June 30, 2014 consisted of the following:

Adult Education Fund transfer to General Fund for transfer of ending balance to close fund	$ 92,500
Deferred Maintenance Fund transfer to General Fund for transfer of ending balance to close fund	879,755
County School Facilities Fund transfer to Special Reserve Fund for Capital Outlay Projects for transfer of ending balance to close fund	375
Special Reserve Fund for Capital Outlay Projects transfer to Capital Facilities Fund for COP debt payment	500,000
	$ 1,472,630

NOTE 5 – FUND BALANCES

Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No.54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of equal to no less than three percent of total General Fund expenditures and other financing uses.

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 7% of total General Fund expenditures. In the event that the balance drops below the established minimum level, the District's Board of Education will develop a plan to replenish the fund balance to the established minimum level.

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

At June 30, 2014, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	$ 90,000	$ -	$ -	$ -	$ 90,000
Stores inventories	61,719	-	-	17,647	79,366
Total Nonspendable	151,719	-	-	17,647	169,366
Restricted:					
Categorical programs	1,533,518	-	-	184,370	1,717,888
Capital projects	-	38,745,890	-	5,004,187	43,750,077
Debt service	-	-	6,938,370	-	6,938,370
Total Restricted	1,533,518	38,745,890	6,938,370	5,188,557	52,406,335
Assigned:					
Future text book adoption	125,000	-	-	-	125,000
Future district facilities	975,228	-	-	-	975,228
Medi-Cal	69,672	-	-	-	69,672
School site carryovers	292,063	-	-	-	292,063
Donations and abatements	119,579	-	-	-	119,579
Child development program	-	-	-	397,693	397,693
Total Assigned	1,581,542	-	-	397,693	1,979,235
Unassigned:					
Reserve for economic uncertainties	2,452,689	-	-	-	2,452,689
Remaining unassigned balances	7,880,740	-	-	-	7,880,740
Total Unassigned	10,333,429	-	-	-	10,333,429
Total	$ 13,600,208	$ 38,745,890	$ 6,938,370	$ 5,603,897	$ 64,888,365

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014
Capital assets not being depreciated:				
Land	$ 1,711,208	$ -	$ -	$ 1,711,208
Construction in progress	27,430,350	15,611,873	215,317	42,826,906
Total capital assets not being depreciated	29,141,558	15,611,873	215,317	44,538,114
Capital assets being depreciated:				
Improvement of sites	13,697,178	197,727	-	13,894,905
Buildings	136,308,112	5,406	-	136,313,518
Equipment	8,888,024	513,189	154,925	9,246,288
Total capital assets being depreciated	158,893,314	716,322	154,925	159,454,711
Accumulated depreciation for:				
Improvement of sites	(4,561,775)	(592,463)	-	(5,154,238)
Buildings	(41,745,254)	(4,958,466)	-	(46,703,720)
Equipment	(6,186,389)	(462,202)	(85,209)	(6,563,382)
Total accumulated depreciation	(52,493,418)	(6,013,131)	(85,209)	(58,421,340)
Total capital assets being depreciated, net	106,399,896	(5,296,809)	69,716	101,033,371
Governmental activity capital assets, net	$ 135,541,454	$ 10,315,064	$ 285,033	$ 145,571,485

Depreciation expense is allocated to the following functions in the statement of activities:

Instruction	$ 5,660,440
School Site Administration	7,679
Home-to-School Transportation	143,383
Food Services	6,818
All Other Pupil Services	5,323
Ancillary Services	822
Community Services	4,898
All Other General Administration	61,224
Centralized Data Processing	27,113
Plant Services	95,431
Total	$ 6,013,131

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	$ 103,877,395	$ 27,300,000	$ 1,785,000	$ 129,392,395	$ 2,050,000
Accreted interest	714,231	274,451	-	988,682	-
Unamortized issuance premium	6,073,162	919,871	353,094	6,639,939	389,889
Total - General Obligation Bonds	110,664,788	28,494,322	2,138,094	137,021,016	2,439,889
Certificates of Participation:					
Principal payments	1,407,255	-	239,449	1,167,806	225,710
Accreted interest	1,597,463	346,517	608,792	1,335,188	623,783
Total - COPs	3,004,718	346,517	848,241	2,502,994	849,493
Capital leases	111,690	192,757	43,157	261,290	59,084
Compensated absences	1,314,080	-	18,348	1,295,732	-
Early retirement incentive	1,126,779	213,713	337,183	1,003,309	303,930
Other postemployment benefits	4,767,356	1,137,549	-	5,904,905	-
Totals	$ 120,989,411	$ 30,384,858	$ 3,385,023	$ 147,989,246	$ 3,652,396

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Capital Facilities Fund. Capital leases payments are made by the General Fund. Accumulated vacation will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Measure "C"
These bonds were authorized at an election of the registered voters of the District held on March 2, 2004, at which more than 55% of the voters authorized the issuance and sale of $56,360,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The bonds were issued to renovate and modernize school facilities within the District.

Measure "AB"
These bonds were authorized at an election of the registered voters of the District held on November 4, 2008, at which more than 55% of the voters authorized the issuance and sale of $83,560,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The bonds were issued to renovate and modernize school facilities and to pay costs of issuance associated with the bonds.

A portion of the Measure AB bonds is designated “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). Pursuant to the Recovery Act, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the Recovery Act. The District is obligated to deposit any cash subsidy payments it receives into the debt service fund for the Bonds.

Another portion of the Measure AB bonds is designated as "Qualified School Construction Bonds" for purposes of the Recovery Act.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Measure "AB" (continued)
With respect to the bonds, the District expects to receive, on or about each bond payment date for the bonds, a cash subsidy payment from the United States Treasury equal to the lesser of a) the interest payable on such bond payment date or b) the amount of interest that would have been payable on such bond payment date on such bonds if such interest were determined at a federal tax credit rate applicable to the bonds, which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code. Prior to each such bond payment date for the bonds, the District will submit or cause to be submitted to the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations.

Upon receipt of such Subsidy Payment, the District shall deposit or cause to be deposited any such cash Subsidy Payment into the Debt Service Fund for the bonds maintained by the County. The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the United States Treasury under the HIRE Act.

2012 General Obligation Refunding Bonds
On March 21, 2012, the District issued $22,530,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 2.0% to 5.0% with annual maturities from August 2012 through August 2028. The net proceeds of $26,006,991 (after issuance costs and underwriter's discount of $194,131 and original issue premium of $3,671,122) were used to refund a portion of the District's outstanding General Obligation Bonds, Election of 2004, Series A.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of $2,432,639 remain to be amortized. As of June 30, 2014, the principal balance outstanding on the defeased debt amounted to $23,250,000.

A summary of general obligation bonds issued by the District is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	$ 29,999,790	$ 1,674,790	$ -	$ 675,000	$ 999,790
2004 B	12/20/2006	8/1/2031	3.9%-4.7%	26,360,000	26,050,000	-	175,000	25,875,000
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	3,215,000	-	225,000	2,990,000
2008 A-1	9/23/2009	8/1/2034	6.0%-6.93%	24,600,000	24,600,000	-	-	24,600,000
2008 B	5/26/2011	8/1/2037	3.0%-5.25%	16,802,605	16,592,605	-	300,000	16,292,605
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	9,455,000	-	410,000	9,045,000
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	22,290,000	-	-	22,290,000
2008C	3/27/2014	8/1/2038	4.0%-5.0%	27,300,000	-	27,300,000	-	27,300,000
				$ 162,447,395	$ 103,877,395	$ 27,300,000	$ 1,785,000	$ 129,392,395

Accreted Interest	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2004 A	$ 156,980	$ 24,470	$ -	$ 181,450
2008 A	406,800	151,598	-	558,398
2008 B	150,451	98,383	-	248,834
	$ 714,231	$ 274,451	$ -	$ 988,682

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2014 were as follows:

Fiscal Year	Principal	Interest	Total
2014-2015	$ 2,050,000	$ 6,296,469	$ 8,346,469
2015-2016	2,365,000	6,436,517	8,801,517
2016-2017	2,350,000	6,366,042	8,716,042
2017-2018	2,635,000	6,308,042	8,943,042
2018-2019	2,950,000	6,234,479	9,184,479
2019-2024	17,950,000	29,252,742	47,202,742
2024-2029	30,989,790	23,631,661	54,621,451
2029-2034	33,947,605	16,973,540	50,921,145
2034-2039	34,155,000	4,958,522	39,113,522
Total	$ 129,392,395	$ 106,458,014	$ 235,850,409

B. Certificates of Participation

On June 1, 1993 the District issued $9,558,832 Certificates of Participation pursuant to a lease agreement with the California School Boards Association Finance Corporation for the purposes of redeeming outstanding revenue bonds, to fund a project fund for $450,000, and to pay issuance costs. The certificates were issued as follows: Serial Certificates of $3,735,000 with stated interest rates ranging between 2.80% and 5.25% and maturing between May 1, 1994 and 2007, Term Certificates of $3,605,000 with a stated interest rate of 5.625% and due May 1, 2010, and Term Capital Appreciation Certificates of $2,218,832 with a stated interest rate of 6.15% and due May 1, 2020.

On July 2, 2003, the District issued $5,020,000 Refunding Certificates of Participation through the California School Boards Association Finance Corporation. The certificates were issued primarily to refund the outstanding balance on the 1993 certificates. Of the proceeds of the refunding certificates, the trustee placed $5,020,452 into an account to prepay the outstanding $4,800,000 of Current Interest 1993 Certificates on August 15, 2007. The refunding certificates had interest rates ranging between 2.5% and 4.5% and fully matured on May 1, 2010. At June 30, 2014, the principal balance outstanding on the capital appreciation component of the 1993 certificates was $1,167,806 in addition to $1,335,188 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2014 were as follows:

Fiscal Year	Principal	Interest	Total
2014-2015	$ 225,710	$ 623,783	$ 849,493
2015-2016	211,972	635,634	847,606
2016-2017	199,214	647,123	846,337
2017-2018	187,438	658,597	846,035
2018-2019	176,643	670,455	847,098
2019-2020	166,829	683,171	850,000
Total	$ 1,167,806	$ 3,918,763	$ 5,086,569

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

C. Capital Leases

The District has entered into lease agreements to obtain copiers valued at $126,185 which provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's full life. Future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2013-2014	$ 59,084	$ 17,548	$ 76,632
2014-2015	63,647	12,984	76,631
2015-2016	63,265	8,205	71,470
2016-2017	58,303	3,544	61,847
2017-2018	16,991	414	17,405
Total	$ 261,290	$ 42,695	$ 303,985

The District will receive no sublease rental revenues nor pay any contingent rentals for the copiers.

D. Early Retirement Incentives

Employees who reach qualifying age and have performed 10 years of service for the District are entitled to an annual payment for 10 years or until Medicare of Social Security retirement age is reached, whichever comes first. The amount is prorated based upon the percentage of full time employment. Previously the amount was $2,000 for certificated employees and $2,200 per year for classified employees. In 2007-2008, certificated employees were offered an additional $4,000 per year (for a total of $6,000), and classified employees were offered an additional $1,000 per year (for a total of $3,200).

In 2008-09, certificated employees were offered one of two retirement incentives: a) $6,000 per year for no more than 10 years or b) a one-time cash payment of 20% of their annual contracted salary to be paid in fiscal year 2009-10, plus $2,000 per year for a maximum of 10 years or to age 65. Five employees chose to receive $6,000 per year; fifteen chose to receive 20% of their annual salary for one year plus $2,000 per year. During 2009-10, the District extended the same offer as in the previous year. Twelve employees chose to receive $6,000 per year, six chose to receive a one-time payment of 20% of their annual salary plus the $2,000 per year.

In 2008-09, eleven classified employees accepted a one time retirement incentive of 10% of their base salary. Eight of these employees will receive the $2,200 per year for a maximum of 10 years or until they are eligible to receive full Social Security benefits. This incentive was also offered during 2009-10. Thirteen employees signed up for this incentive, of which four will receive only the incentive equal to 10% of their base salary because they already reached full retirement age.

In 2013-14, certificated and classified employees were offered a retirement incentive of up to 25% of employee's contracted base salary. Payments will be made in two installments; one in October 2014 and one in March 2015. Additionally, certificated employees who elected to retire will also receive $2,000 per year, and classified employees will receive $2,200 per year until the employee is eligible for social security. In total, 26 employees elected to take the incentive.

Currently, 115 retirees are receiving benefits under these programs. Expenditures are recognized on a pay-as-you-go basis, as employees are paid. During the year, expenditures of $337,183 were incurred for retiree incentives.

The estimated future liability at June 30, 2014 is $1,003,309. This was estimated by multiplying the number of retirees receiving benefits by the annual payment for each retiree and by the number of years remaining of eligibility.

NOTE 8 – TAX REVENUE ANTICIPATION NOTES

The District issued $9,881,000 of Tax Revenue Anticipation Notes dated February 1, 2013 through the California Education Notes Program. The notes mature on January 31, 2014, have an interest rate of 2.00% and yield 0.25%. The notes were sold by the District to supplement its cash flow. Repayment requirements are that certain amounts will be deposited into a special fund. The monies are required to remain on deposit until the maturity date of the note, at which time they will be applied to pay the principal and interest on the notes. Since repaying the TRAN in January 2014, the District's cash position has improved due to the reduction in State deferrals and has not required additional notes to maintain a healthy level of cash.

NOTE 9 – JOINT VENTURES

The Bonita Unified School District participates in joint ventures under a joint powers agreement (JPA) with the Alliance of Schools for Cooperative Insurance Program (ASCIP) and Valley Insurance Programs (VIP). The relationships between the Bonita Unified School District and the JPAs are such that the JPA's are not a component unit of the District for financial reporting purposes.

The JPA's provide for property, liability and workers' compensation insurance for its member districts. The JPA's are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA's independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA's.

Condensed audited financial information for the year ended June 30, 2013 for ASCIP and VIP is as follows:

	ASCIP	VIP
Total Assets	$ 295,431,234	$ 21,994,456
Total Liabilities	160,686,476	17,411,105
Fund Equity	$ 134,744,758	$ 4,583,351
Total Revenues	$ 201,182,650	$ 4,881,767
Total Expenses	190,821,296	6,179,071
Net Increase in Fund Equity	$ 10,361,354	$ (1,297,304)

NOTE 10 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2014, the District participated in the VIP JPA for workers compensation up to $750,000 per claim self insured retention, with excess coverage provided by the JPA's excess coverage insurance carrier, Hanover. The workers' compensation rate as a percent of salary is determined annually based on an actuarial study.

NOTE 10 – RISK MANAGEMENT (continued)

Employee Medical Benefits
For fiscal year 2014, the District had a cap of $7,000 on employer paid health and welfare benefits. The District has contracted with the California Public Employment Retirement System (CalPERS) Health Plan and with Kaiser Permanente to provide medical and surgical benefits, and with Delta Care, Delta Dental, and United Concordia for dental benefits. Vision benefits are provided through Vision Service Plan. Disability insurance, cancer insurance, and accident insurance are also options available to employees.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2014, the District had commitments with respect to unfinished capital projects of approximately $2.3 million to be paid from bond funds and other funds.

C. Litigation
The District is involved in various legal matters. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the matters will have a material impact on the financial statements.

NOTE 12 - EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), classified employees are members of the Public Employees' Retirement System (PERS), and part-time, seasonal and temporary employees not covered by STRS or PERS are members of the Alternative Retirement Program (ARP).

Plan Description and Provisions

Public Employees' Retirement System (PERS)

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

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Public Employees' Retirement System (PERS) (continued)

Funding Policy
Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 1,362,426	100%
2012-13	$ 1,297,555	100%
2011-12	$ 1,193,398	100%

State Teachers' Retirement System (STRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at www.calstrs.com.

Funding Policy
Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 3,275,045	100%
2012-13	$ 3,031,217	100%
2011-12	$ 2,982,326	100%

Alternative Retirement Program (ARP)

Plan Description
The Alternative Retirement Program is a non-qualified Internal Revenue Code Section 457 plan. The plan covers part-time, seasonal and temporary employees and employees not covered by another retirement system, pursuant to the requirements of Internal Revenue Code Section 3121(b)(7)(f). The benefit provisions and contribution requirements of the plan members and the District are established and may be amended by the ARP Board of Trustees.

Funding Policy
Contributions of 3.75% of covered compensation of eligible employees are made by the employer and the employee. Total contributions, employer and employee combined, were $123,840 during 2013-14. The total amount of covered compensation was $1,651,200. All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions.

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately $1.7 million to STRS (4.267% of salaries subject to STRS in 2013-14).

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

Bonita Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

Plan Descriptions and Contribution Information
Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	138
Active plan members*	568
Total	706

** As of July 1, 2012 actuarial valuation*

Retirees age 55 with at least 10 years of service, who were designated as teachers or management (certificated) and enrolled in one of the CalPERS health plans at retirement will be offered a lifetime subsidy of $115 per month ($119 in 2014) from the District. Retirees age 50 with at least 10 years of service, who were designated as classified or management (non-teaching) and enrolled in one of the CalPERS health plans at retirement will be offered a lifetime subsidy of $115 per month ($119 in 2014) from the District.

Special Arrangements for Contract Employees
Select retirees receive a lifetime subsidy equal to the actual cost of his/her healthcare benefits. As of the valuation date, there is one retiree receiving this subsidy, with a commitment to one additional employee at retirement.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2013-14, the District contributed $93,538.

Annual OPEB Cost and Net OPEB Obligation
The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The table on the next page shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Annual required contribution (ARC)	$	1,295,369
Interest on net OPEB obligation		238,368
Adjustment to annual required contribution		(302,650)
Annual OPEB cost (expense)		1,231,087
Contributions made: Pay-as-you-go costs		(93,538)
Increase (decrease) in net OPEB obligation		1,137,549
Net OPEB obligation, beginning of year		4,767,356
Net OPEB obligation, end of year	$	5,904,905

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 1,231,087	7.6%	$ 5,904,905
2013	$ 1,173,596	15.8%	$ 4,767,356
2012	$ 1,213,388	16.4%	$ 3,779,515

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2012, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was $10.7 million and the unfunded actuarial accrued liability (UAAL) was $10.7 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are 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 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 designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2012
Actuarial cost method	Unit credit
Amortization method	Level dollar method
Remaining amortization period	30 years
Asset valuation	N/A
Actuarial assumptions:	
Healthcare cost trend rate	7%

NOTE 14 - SUBSEQUENT EVENT

On October 2, 2014, the District issued $25,255,000 in refunding bonds to advance refund a portion of the District's outstanding Election of 2004 General Obligation Bonds, Series B and to pay the costs of issuance of the bonds. The bonds mature on August 1, 2031, and have interest rates of 2.0 - 5.0%.

NOTE 15 - FUTURE GASB PRONOUNCEMENT

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)*
The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Cost-Sharing Employers
In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

Required Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with
	Original	Final	Actual (Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	$ 51,195,784	$ 62,253,455	$ 62,253,455	$ -
Federal	3,107,152	3,075,054	2,666,155	(408,899)
Other State	10,991,645	5,163,454	5,413,551	250,097
Other Local	7,072,370	10,089,029	9,877,113	(211,916)
Total Revenues	72,366,951	80,580,992	80,210,274	(370,718)
Expenditures				
Current:				
Certificated Salaries	39,264,827	41,018,774	39,928,531	1,090,243
Classified Salaries	11,003,093	11,674,168	11,414,927	259,241
Employee Benefits	13,392,952	13,493,704	13,242,711	250,993
Books and Supplies	2,683,856	6,345,696	4,226,618	2,119,078
Services and Other Operating Expenditures	10,120,253	11,146,482	9,593,809	1,552,673
Capital Outlay	139,000	300,715	1,482,562	(1,181,847)
Intergovernmental Transfers	314,000	1,740,479	1,805,240	(64,761)
Debt Service	17,193	66,756	61,614	5,142
Total Expenditures	76,935,174	85,786,774	81,756,012	4,030,762
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,568,223)	(5,205,782)	(1,545,738)	3,660,044
Other Financing Sources and Uses				
Interfund Transfers In	-	-	972,255	972,255
Proceeds from long-term debt	-	-	192,757	192,757
Net Change in Fund Balances	(4,568,223)	(5,205,782)	(380,726)	4,825,056
Fund Balances, July 1, 2013	13,980,934	13,980,934	13,980,934	-
Fund Balances, June 30, 2014	$ 9,412,711	$ 8,775,152	$ 13,600,208	$ 4,825,056

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	$ -	$ 8,019,847	$ 8,019,847	0.0%	$ 51,772,432	15.5%
July 1, 2010	$ -	$ 10,504,116	$ 10,504,116	0.0%	$ 49,285,873	21.3%
July 1, 2012	$ -	$ 10,702,324	$ 10,702,324	0.0%	$ 46,817,107	22.9%

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

This schedule is required by GASB Statement No.45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
Capital Outlay	$ 1,181,847
Intergovernmental	64,761

Supplementary Information

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The Bonita Unified School District was formed on December 10, 1957, and is comprised of an area of approximately 49 square miles located in the eastern part of Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is currently operating eight elementary schools, two middle schools, two comprehensive high schools for grades 9-12, and one continuation high school.

BOARD OF EDUCATION

Member	Office	Term Expires
Patti Latourelle	President	November, 2017
Diane Koach	Vice-President	November, 2017
Chuck Coyne	Member	November, 2015
Jim Elliot	Member	November, 2015
Glenn Creiman	Member	November, 2015

DISTRICT ADMINISTRATORS

Gary Rapkin, Ph.D.,
Superintendent

Curtis Frick,
Assistant Superintendent, Human Resources Development

Nanette Hall,
Assistant Superintendent, Educational Services

Ann Sparks,
Assistant Superintendent, Business Services

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2014

Second Period Report - Certificate No. (141EB511)

Regular ADA:	TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Regular ADA	2,743.36	2,083.01	1,445.33	3,295.47	9,567.17
Extended Year Special Education	6.08	2.17	2.39	3.02	13.66
Special Education - Nonpublic Schools	2.62	11.39	10.36	37.92	62.29
Extended Year Special Education - Nonpublic Schools	0.23	0.96	0.91	3.83	5.93
Total ADA	2,752.29	2,097.53	1,458.99	3,340.24	9,649.05

Other (included in Regular ADA amounts):

Transitional Kindergarten	70.69
Continuation Education	92.04
Opportunity Classes	30.93

Annual Report - Certificate No. (334FEF40)

Regular ADA:	TK/K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Regular ADA	2,745.54	2,083.93	1,444.44	3,275.88	9,549.79
Extended Year Special Education	6.08	2.17	2.39	3.02	13.66
Special Education - Nonpublic Schools	2.68	11.27	10.29	38.37	62.61
Extended Year Special Education - Nonpublic Schools	0.23	0.96	0.91	3.83	5.93
Total ADA	2,754.53	2,098.33	1,458.03	3,321.10	9,631.99

Other (included in Regular ADA amounts):

Transitional Kindergarten	73.67
Continuation Education	88.42
Opportunity Classes	33.01

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2014

	1986-87 Minutes		2013-14	Number of Days	
Grade Level	Previously Required	Reduced*	Actual Minutes	Traditional Calendar	Status
Kindergarten	36,000	35,000	44,040	180	Complied
Grade 1	50,400	49,000	50,595	180	Complied
Grade 2	50,400	49,000	50,595	180	Complied
Grade 3	50,400	49,000	50,595	180	Complied
Grade 4	54,000	52,500	56,580	180	Complied
Grade 5	54,000	52,500	56,580	180	Complied
Grade 6	54,000	52,500	58,184	180	Complied
Grade 7	54,000	52,500	58,184	180	Complied
Grade 8	54,000	52,500	58,184	180	Complied
Grade 9	64,800	63,000	65,013	180	Complied
Grade 10	64,800	63,000	65,013	180	Complied
Grade 11	64,800	63,000	65,013	180	Complied
Grade 12	64,800	63,000	65,013	180	Complied

* Amounts reduced as permitted by Education Code Section 46201.2 (a).

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2014

General Fund	(Budget)[2] 2015	2014	2013	2012
Revenues and other financing sources	$ 84,994,449	$ 81,375,286	$ 74,185,850	$ 74,834,687
Expenditures	88,805,598	81,756,012	75,846,125	74,245,189
Other uses and transfers out	-	-	-	22,115
Total Outgo	88,805,598	81,756,012	75,846,125	74,267,304
Change in fund balance (deficit)	(3,811,149)	(380,726)	(1,660,275)	567,383
Ending fund balance	$ 9,789,059	$ 13,600,208	$ 13,980,934	$ 15,641,209
Available Reserves[1]	$ 8,270,818	$ 10,333,429	$ 11,762,615	$ 12,721,052
Available Reserves as a percentage of Total Outgo	9.3%	12.6%	15.5%	17.1%
Total Long-Term Debt	$ 144,336,850	$ 147,989,246	$ 120,989,411	$ 123,182,013
Average Daily Attendance at P-2[3]	9,738	9,649	9,527	9,533

The General Fund balance has decreased by $ 2,041,001 over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of $3,811,149. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long-term debt has increased by $24,807,233 over the past two years.

Average daily attendance has increased by 116 over the past two years. An increase of 89 ADA is anticipated during fiscal year 2014-15.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] As of September, 2014.

[3] Excludes Adult Education and ROC/P ADA.

BONITA UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditure	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program	10.553	13390	$ 5,479	
Especially Needy Breakfast	10.553	13390	200,069	
National School Lunch Program	10.555	13391	1,103,408	
USDA - Donated Foods	10.555	N/A	119,507	
Subtotal Child Nutrition Cluster				$ 1,428,463
Forest Reserve	10.665	10044		12,874
Total U.S. Department of Agriculture				1,441,337
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind Act (NCLB):				
Title I, Part A, Low-Income	84.010	14329		627,233
Improving Teacher Quality Cluster				
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		222,699
Title II, Part A, Administrator Training	84.367	14344		3,000
Subtotal Improving Teacher Quality Cluster				
Title III, Limited English Proficient (LEP) Student Program	84.365	14346		70,907
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		43,953
Passed through SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,306,184	
Preschool Grants, Part B	84.173	13430	48,009	
Preschool Local Entitlement, Part B	84.027A	13682	61,125	
Mental Health Allocation Plan, Part B	84.027	14468	183,494	
Preschool Staff Development, Part B	84.173A	13431	493	
Subtotal Special Education (IDEA) Cluster				1,599,305
Total U.S. Department of Education				2,567,097
U.S. Department of Health & Human Services:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	159,795	
Medi-Cal Administrative Activities (MAA)	N/A	10060	100,726	
Subtotal Medicaid Cluster				260,521
Total U.S. Department of Health & Human Services				260,521
Total Expenditures of Federal Awards				$ 4,268,955

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as reduced by Education Code Section 46201.2(a).

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States of America Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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
Bonita Unified School District
San Dimas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Bonita Unified School District's basic financial statements, and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bonita Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bonita Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bonita Unified School District's internal control.

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

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

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

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

Nigro+Nigro, PC

Murrieta, California
October 22, 2014

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Bonita Unified School District
Bonita, California

Report on Compliance for State Programs
We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14,* published by the Education Audit Appeals Panel, for the year ended June 30, 2014. Bonita Unified School District's state programs are identified below.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's State programs 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable

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Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Opinion on Compliance with State Programs
In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.

Nigro + Nigro, PC

Murrieta, California
October 22, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Bonita Unified School District
Bonita, California

Report on Compliance for Each Major Federal Program
We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bonita Unified School District's major federal programs for the year ended June 30, 2014. Bonita Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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Report on Internal Control Over Compliance
Management of Bonita Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bonita Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Nigro+Nigro, PC

Murrieta, California
October 22, 2014

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster (NSLP)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2013-14.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2013-14.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2013-14.

There were no findings or questioned costs in 2013-14.

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To the Board of Education
Bonita Unified School District
San Dimas, California

In planning and performing our audit of the basic financial statements of Bonita Unified School District for the year ending June 30, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated October 22, 2014, on the financial statements of Bonita Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our cash receipts testing at **Bonita High** we found that three of ten deposits tested lacked sufficient supporting documentation such as: tally sheets, ticket sales logs, cash receipts, and/or point of sale documentations should have been maintained for the transactions. Without these documents, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

Recommendation: Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: During our testing of cash disbursements, our sample included expenditures that appear to be for payments to District employees paid directly from ASB funds at both **Ramona Middle** and **Bonita High**. Since the ASB falls under the District's tax identification number, all wages paid to an employee must have the proper tax withholdings calculated and withheld.

Recommendation: We recommend that all employees be paid for work performed on behalf of the ASB through the normal payroll process. The ASB should then reimburse the District for all costs associated with the work performed.

Observation: In our test of cash disbursements at **Ramona Middle** we noted that two of the twenty-five disbursements selected in our sample were not approved by the ASB advisor. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

Recommendation: We recommend that the site adopt procedures to ensure compliance with Education Code which mandates obtaining required approvals from specified parties.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | CJ Gaunder Singh, CPA | Kevin Brejnak, CPA, CFE

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

Nigro + Nigro, PC

Murrieta, California
October 22, 2014