

**BONITA UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2018**



**BONITA UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2018*  
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***Financial Section***

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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, 2018, 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.

### **Change in Accounting Principle**

As discussed in Note 1.I.1. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$8,025,044 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

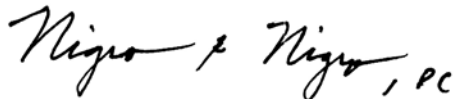
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 63 to 66 and the schedule of expenditures of federal awards on page 67 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 62 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, 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.



Murrieta, California  
November 26, 2018

# **BONITA UNIFIED SCHOOL DISTRICT**

## *Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2018*

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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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **DISTRICT OVERVIEW**

The Bonita Unified School District is a suburban school district offering instruction to students from transitional kindergarten through twelfth grade, including programs for preschool and special education. During the 2017-2018 school year, the District operated eight elementary schools, two middle schools, two comprehensive high schools, and one continuation high school, on the traditional August through May schedule, for the instruction of approximately 10,000 students.

### **MISSION STATEMENT**

For the students in our care, and in partnership with the community, we will create a safe, challenging and comprehensive learning environment that will shape character, nurture intellect and build skills for success in an ever-changing world.

### **Focusing on Excellence**

#### **STUDENT NEEDS**

*District Goal: The District will develop and implement programs to shape character, nurture intellect and build skills for success for ALL students.*

#### **CURRICULUM AND ASSESSMENT**

*District Goal: The District will develop and utilize multiple assessment measures to monitor student performance and adjust curriculum and instruction to assure that ALL students learn.*

#### **BUDGET/RESOURCES**

*District Goal: The District will utilize all existing funds and resources, through a process of site-based management, to maximize the learning opportunities while maintaining sufficient reserves to deal with economic uncertainties.*

#### **TECHNOLOGY**

*District Goal: The District will develop and implement a plan to effectively use technology to build skills for student success and to facilitate the operation of the District.*

#### **PARENTS AND COMMUNITY**

*District Goal: The District will enhance communication between district, schools, parents and the communities of La Verne and San Dimas and encourage parents and community members to actively support the schools.*

#### **STAFFING**

*District Goal: The District will actively recruit, retain and value qualified staff members within a professional environment.*

#### **STAFF DEVELOPMENT**

*District Goal: The District will encourage and expect individual professional growth by providing quality staff development and in-service programs.*



**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**MISSION STATEMENT (continued)**

**Focusing on Excellence (continued)**

**FACILITIES**

*District Goal: The District will maintain and improve facilities to provide a safe and comprehensive learning and working environment.*

**FINANCIAL HIGHLIGHTS**

**Districtwide Financial Statements**

- As of June 30, 2018, the District's overall financial condition dropped from June 30, 2017, as Net Position decreased \$4.0 million. The largest change in the Statement of Net Position was in the increase in Net Pension Liability.
- Overall revenues increased \$0.9 million, to \$123.3 million. The largest category of revenue to the District is the Local Control Funding Formula (LCFF), which makes up \$84.9 million (68.9%) of total revenues.
- Overall expenditures decreased \$5.4 million, to \$127.3 million. The majority of expenditures (\$81.9 million) were for instruction and instruction-related services.
- The change in net position showed a decrease of \$4.0 million. This deficit spending is mainly due to the increase in the District's pension liability, a non-cash expenditure.
- Total District-wide expenses were \$127.3 million. Because a portion of these costs was paid for with charges, fees, and federal and state categorical programs, the net cost that required taxpayer funding was \$113.2 million.

**General Fund Financial Statements**

- The District's General Fund recorded a net increase to the total ending Fund Balance for the year of \$3.9 million.
- Revenues in the District's Unrestricted General Fund continue to exceed expenditures, resulting in a net surplus for the year.
- Actual results were better than the original and revised operating budgets for the year. This positive variance came about primarily because of underspending across all programs.
- Revenues of \$110.4 million (\$96.4 million Unrestricted, \$14.0 million Restricted) were received.
- Expenditures of \$106.5 million (\$84.0 million Unrestricted, \$22.5 million Restricted) were made.
- The net result of operations was an increase to the ending fund balance of \$3.9 million. (\$3.7 million increase in Unrestricted, \$0.2 million decrease in Restricted)

A five-year history of the District's General Fund is as follows:

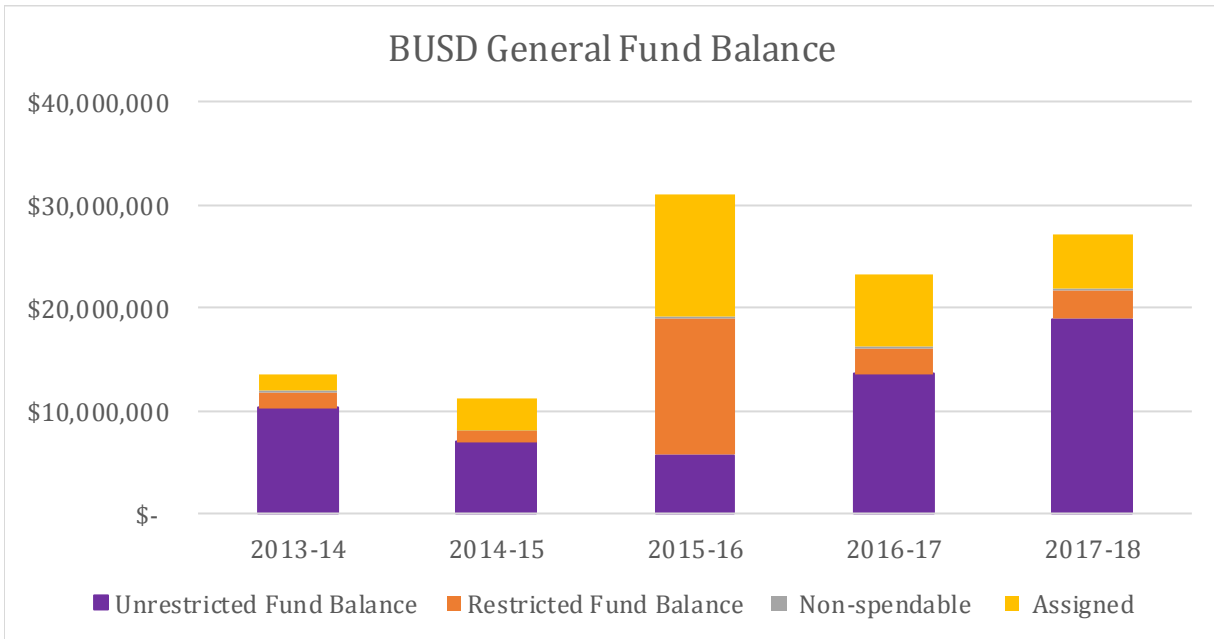
	Ending Fund Balance					Net Change In Fund Balance
	Unrestricted	Non-spendable	Assigned	Restricted	Total	
2013-14	\$ 10,333,429	\$ 151,719	\$ 1,581,542	\$ 1,533,518	\$ 13,600,208	\$ (380,726)
2014-15	6,957,730	118,850	3,073,304	1,067,708	11,217,592	(2,382,616)
2015-16	5,747,820	135,635	11,850,600	13,231,717	30,965,772	19,748,179
2016-17	13,580,467	133,485	7,044,620	2,537,474	23,296,046	(7,669,726)
2017-18	18,916,579	142,978	5,384,245	2,738,696	27,182,498	3,886,452

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
 For the Fiscal Year Ended June 30, 2018

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**FINANCIAL HIGHLIGHTS (continued)**

**General Fund Financial Statements (continued)**



The Unrestricted General Fund Balance at June 30, 2018 (consisting of the Reserve for Economic Uncertainties plus Unassigned/Unappropriated amounts) was \$18,916,579. This amount was 17.8% of total General Fund expenditures. The State mandated requirement is a 3% reserve. The BUSD Board of Education has set a minimum 7% reserve requirement.

The actual amounts reported above are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**LCFF and Average Daily Attendance (ADA)**

The majority of the District's unrestricted revenues are received from the State through the LCFF. The State switched to the LCFF funding formula in the 2013-14 fiscal year.

The State's 2013-14 budget presented an extraordinary change in California school district funding. The Revenue Limits and most categorical programs which have existed since the 1970's *Serrano vs. Priest* decision were eliminated. Instead, the State implemented the Local Control Funding Formula (LCFF). Under LCFF, instead of the State allocating funds and requiring the Districts to spend money on programs and services the State determines are a priority, the new funding formula gives local boards control over how to use funds and resources in a way that improves outcomes and opportunities for all students. The new funding model specifically addresses students with greater needs – such as English learners, low-income and foster youth – with input from the community and with specific student outcome in mind.

## BONITA UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2018*

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### FINANCIAL HIGHLIGHTS (continued)

#### LCFF and Average Daily Attendance (ADA) (continued)

School district leaders have conjectured that LCFF presents an historic opportunity to focus on improving student outcomes, closing achievement gaps, and increasing the level of communication between schools and their communities. Further, the State's shift away from complex categorical funding will require Districts to be strategic and collaborative when investing resources and delivering instructional programs to best serve students.

While the main drivers of the Revenue Limit were Average Daily Attendance (ADA) and State-funded Cost of Living Adjustment (COLA), LCFF adds two additional factors:

- Unduplicated Percentages of Underserved Students - defined as those students enrolled in the Free and Reduced Lunch program, English Language Learners, and Foster Youth. Due to the widely differing unduplicated count percentages in different school districts, the amounts received in LCFF funding will vary widely by District will become even more disparate as time goes on.
- Percentage of Gap Funding during Transition: Full implementation of the LCFF is beyond the State's current financial means. Therefore, the State intends to fully implement LCFF over an eight-year period. Each year, as part of the budget process, the Legislature and Governor (with consideration of the COLA and Proposition 98 requirements) will determine the amount of the gap funding to implement in the current budget year.

The District calculates its LCFF apportionment based upon a formula incorporating these inputs. The District receives its share of local property taxes, and the State provides Apportionment Revenue to make up the total LCFF earned.

Historical information regarding the District's LCFF per pupil funding is as follows:

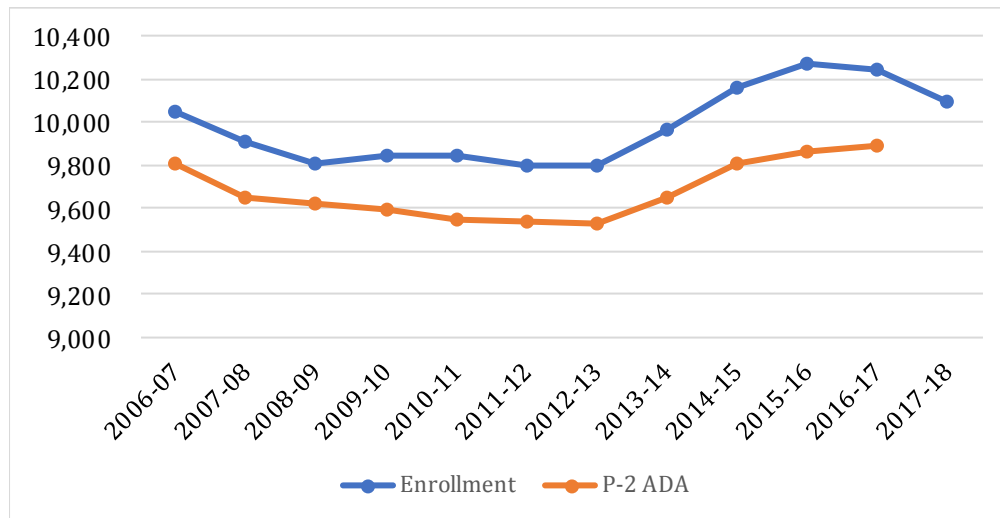
	<u>Enrollment</u>	<u>Change</u>	<u>P-2 ADA</u>	<u>Change</u>	<u>% ADA</u>
2006-07	10,053		9,810		97.6%
2007-08	9,912	(141)	9,654	(157)	97.4%
2008-09	9,808	(104)	9,626	(28)	98.1%
2009-10	9,848	40	9,593	(32)	97.4%
2010-11	9,841	(7)	9,549	(44)	97.0%
2011-12	9,800	(41)	9,535	(14)	97.3%
2012-13	9,794	(6)	9,528	(8)	97.3%
2013-14	9,969	175	9,650	122	96.8%
2014-15	10,160	191	9,806	156	96.5%
2015-16	10,268	108	9,862	56	96.0%
2016-17	10,245	(23)	9,894	33	96.6%
2017-18	10,091	(154)	9,730	(164)	96.4%

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
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**FINANCIAL HIGHLIGHTS (continued)**

**LCFF and Average Daily Attendance (ADA) (continued)**



**Average Daily Attendance (ADA)**

Virtually all of the District’s funding is based upon the number of students in attendance at District schools, or Average Daily Attendance (ADA). ADA is calculated based upon the actual number of days a student attends school, divided by the total possible instructional days (180 days for a full school year). Thus, a student who attends class every day of the school year, with no absences, earns one ADA.

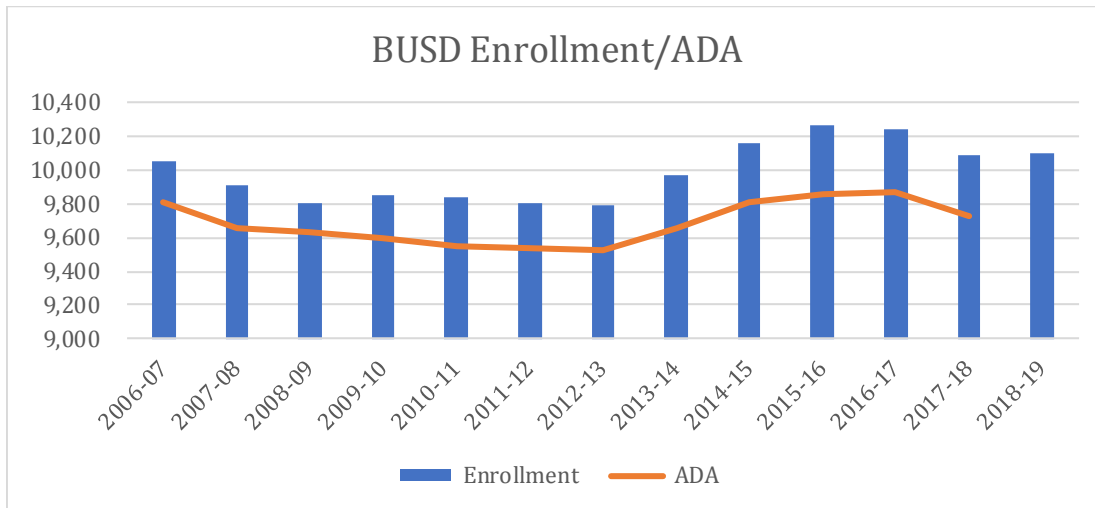
The District’s main source of funding, the Local Control Funding Formula (LCFF) is calculated based upon the District’s Second Period (“P-2”) ADA. If a district is in a declining enrollment situation LCFF is calculated based upon the higher, prior-year ADA. In general, the District’s enrollment has been stable, fluctuating less than 50 students over the past 11 years. The District’s enrollment most recently peaked in 2015-16.

Historical second month enrollment and P-2 apportionment-earning ADA is as follows:

	Enrollment	ADA
2006-07	10,053	9,810
2007-08	9,912	9,654
2008-09	9,808	9,626
2009-10	9,848	9,593
2010-11	9,841	9,549
2011-12	9,800	9,535
2012-13	9,794	9,528
2013-14	9,969	9,650
2014-15	10,160	9,806
2015-16	10,268	9,862
2016-17	10,245	9,870
2017-18	10,091	9,730
2018-19	10,101	

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
 For the Fiscal Year Ended June 30, 2018

**FINANCIAL HIGHLIGHTS (continued)**



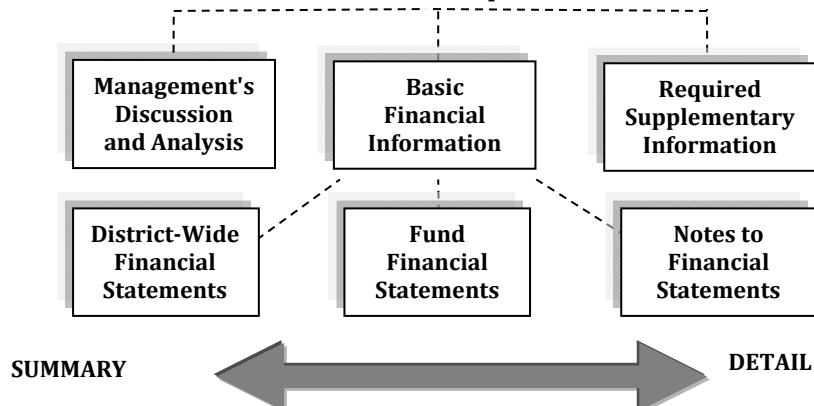
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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.

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

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.



**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**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**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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.

## **BONITA UNIFIED SCHOOL DISTRICT**

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2018*

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### **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.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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

**Net Position.** The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 12.7% to \$(35.6) million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017*</b>	
<b>Assets</b>			
Current assets	\$ 62,641,705	\$ 64,547,886	\$ (1,906,181)
Capital assets	157,413,823	159,123,359	(1,709,536)
<b>Total assets</b>	<b>220,055,528</b>	<b>223,671,245</b>	<b>(3,615,717)</b>
<b>Deferred outflows of resources</b>	<b>35,390,853</b>	<b>25,298,646</b>	<b>10,092,207</b>
<b>Liabilities</b>			
Current liabilities	9,640,796	9,530,704	110,092
Long-term liabilities	166,086,565	169,687,607	(3,601,042)
Net pension liability	110,348,735	96,492,974	13,855,761
<b>Total liabilities</b>	<b>286,076,096</b>	<b>275,711,285</b>	<b>10,364,811</b>
<b>Deferred inflows of resources</b>	<b>4,949,286</b>	<b>4,828,240</b>	<b>121,046</b>
<b>Net position</b>			
Net investment in capital assets	31,277,845	34,947,024	(3,669,179)
Restricted	12,519,196	12,212,403	306,793
Unrestricted	(79,376,042)	(78,729,061)	(646,981)
<b>Total net position</b>	<b>\$ (35,579,001)</b>	<b>\$ (31,569,634)</b>	<b>\$ (4,009,367)</b>

\*As restated

**Changes in net position, governmental activities.** The District's total revenues increased 0.7% to \$123.3 million (See Table A-2). The increase is due primarily to increased operating grants received during the year.

The total cost of all programs and services decreased 4.0% to \$127.3 million. The District's expenses are predominantly related to educating and caring for students, 73.8%. The purely administrative activities of the District accounted for just 8.0% of total costs. A significant contributor to the decrease in costs was a reduction in instruction-related and administration expenses.



**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 987,910	\$ 974,972	\$ 12,938
Operating grants and contributions	13,091,642	15,921,665	(2,830,023)
General Revenues:			
Federal and state aid not restricted	71,409,390	71,746,346	(336,956)
Property taxes	32,056,868	28,765,853	3,291,015
Other general revenues	5,718,030	4,964,441	753,589
<b>Total Revenues</b>	<b>123,263,840</b>	<b>122,373,277</b>	<b>890,563</b>
<b>Expenses</b>			
Instruction-related	81,934,994	83,481,048	(1,546,054)
Pupil services	12,025,308	11,537,356	487,952
Administration	10,220,956	15,888,371	(5,667,415)
Plant services	11,559,167	10,113,109	1,446,058
All other activities	11,532,782	11,621,253	(88,471)
<b>Total Expenses</b>	<b>127,273,207</b>	<b>132,641,137</b>	<b>(5,367,930)</b>
Increase (decrease) in net position	(4,009,367)	(10,267,860)	\$ 6,258,493
<b>Total net position</b>	<b>\$ (35,579,001)</b>	<b>\$ (31,569,634)</b>	

**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 \$55.0 million, which is below last year's ending fund balance of \$57.0 million. The primary cause of the decreased fund balance is ongoing capital projects.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 23,296,046	\$ 110,363,932	\$ 106,499,149	\$ 21,669	\$ 27,182,498
Child Development Fund	7,811	2,584,035	2,581,044	-	10,802
Cafeteria Fund	318,819	2,897,032	2,833,448	-	382,403
Special Reserve Fund (Postemployment Benefits)	150,771	2,362	-	-	153,133
Building Fund	20,605,155	279,805	6,234,089	-	14,650,871
Capital Facilities Fund	1,978,795	432,753	337,150	-	2,074,398
Special Reserve Fund (Capital Outlay)	318,281	2,544	320,825	-	-
Capital Outlay Fund for Blended Component Units	3,256,262	836,005	910,680	-	3,181,587
Bond Interest and Redemption Fund	7,066,869	8,932,771	8,666,736	-	7,332,904
	<b>\$ 56,998,809</b>	<b>\$ 126,331,239</b>	<b>\$ 128,383,121</b>	<b>\$ 21,669</b>	<b>\$ 54,968,596</b>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

**General Fund Budgetary Highlights**

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$0.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.9 million. Actual revenues were \$1.0 million more than anticipated, and expenditures were \$3.7 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget. Additionally, actual spending was less than budget across most programs and activities accounted for in the Unrestricted General Fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2017-18 the District had invested \$7.5 million in new capital assets, related to the improvement of sites. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was approximately \$9.2 million.

**Table A-4: Capital Assets at Year-End, Net of Depreciation**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
Land	\$ 1,711,208	\$ 1,711,208	\$ -
Improvement of sites	58,705,612	62,189,584	(3,483,972)
Buildings	89,603,190	76,511,243	13,091,947
Equipment	3,479,472	4,036,701	(557,229)
Construction in progress	3,914,341	14,674,623	(10,760,282)
Total	<u>\$ 157,413,823</u>	<u>\$ 159,123,359</u>	<u>\$ (1,709,536)</u>

**Long-Term Debt**

At year-end the District had \$166.1 million in long-term debt – a decrease of 2.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements).

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2018</b>	<b>2017*</b>	
General obligation bonds	\$ 132,315,805	\$ 135,263,559	\$ (2,947,754)
Certificates of participation	729,699	1,134,257	(404,558)
Clean renewable energy bonds	12,753,000	13,307,000	(554,000)
Capital lease obligations	204,091	322,283	(118,192)
Compensated absences	1,241,165	1,511,027	(269,862)
Early retirement incentives	848,119	1,800,527	(952,408)
Other postemployment benefits	17,994,686	16,348,954	1,645,732
Total	<u>\$ 166,086,565</u>	<u>\$ 169,687,607</u>	<u>\$ (3,601,042)</u>

\*As restated

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

**The 2018-19 State Budget**

***Final Budget Package Includes \$15.9 Billion in Total Reserves***

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

***Overall Spending***

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

***Considerable New Spending on Education***

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

***Proposition 98 Establishes Minimum Spending Level***

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

***Higher Proposition 98 Spending in 2016-17 and 2017-18***

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

***2018-19 Spending up Notably Over Revised 2017-18 Level***

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2018*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**The 2018-19 State Budget (continued)**

***\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19***

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the 2017-18 Budget Act level. The budget increases spending per student by \$579 (5.2%) over the 2017-18 Budget Act level, bringing Proposition 98 spending per student up to \$11,645.

***Package Includes Mix of Ongoing and One-Time Spending***

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

***Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates***

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

***Funds One-Time Discretionary Grants***

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2018-19 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, please contact the Assistant Superintendent of Business Services, Susan Cross Hume, CPA, CIA, CGMA, at (909) 971-8320.

**BONITA UNIFIED SCHOOL DISTRICT***Statement of Net Position**June 30, 2018*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 58,856,774
Investments	977,084
Accounts receivable	2,666,385
Inventories	141,462
Non-depreciable assets	5,625,549
Depreciable assets	241,623,073
Less accumulated depreciation	<u>(89,834,799)</u>
Total assets	<u>220,055,528</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	3,695,351
Deferred outflows of resources - OPEB	389,354
Deferred outflows of resources - pensions	<u>31,306,148</u>
Total deferred outflows of resources	<u>35,390,853</u>
 <b>LIABILITIES</b>	
Accounts payable	9,471,192
Unearned revenue	169,604
Long-term liabilities:	
Due or payable within one year	5,234,492
Due or payable after one year	160,852,073
Net pension liability	<u>110,348,735</u>
Total liabilities	<u>286,076,096</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow of resources - pensions	<u>4,949,286</u>
 <b>NET POSITION</b>	
Net investment in capital assets	31,277,845
Restricted for:	
Capital projects	2,074,398
Debt service	7,332,904
Categorical programs	3,111,894
Unrestricted	<u>(79,376,042)</u>
Total net position	<u>\$ (35,579,001)</u>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2018*

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instructional services:				
Instruction	\$ 67,742,681	\$ 43,957	\$ 6,749,891	\$ (60,948,833)
Instruction-related services:				
Supervision of instruction	6,503,702	3,175	2,343	(6,498,184)
Instructional library, media and technology	1,104,574	-	(7,323)	(1,111,897)
School site administration	6,584,037	-	6,538	(6,577,499)
Pupil support services:				
Home-to-school transportation	2,282,973	2,116	311,052	(1,969,805)
Food services	2,732,080	831,614	1,788,011	(112,455)
All other pupil services	7,010,255	5,040	1,937,429	(5,067,786)
General administration services:				
Data processing services	3,374,350	-	-	(3,374,350)
Other general administration	6,846,606	50,140	959,159	(5,837,307)
Plant services	11,559,167	47,916	908,881	(10,602,370)
Ancillary services	1,473,268	-	(20,367)	(1,493,635)
Community services	2,411,617	-	(2,657)	(2,414,274)
Interest on long-term debt	6,540,595	-	-	(6,540,595)
Other outgo	1,107,302	3,952	458,685	(644,665)
Total Governmental Activities	<u>\$ 127,273,207</u>	<u>\$ 987,910</u>	<u>\$ 13,091,642</u>	<u>(113,193,655)</u>

**General Revenues:**

Property taxes	32,056,868
Federal and state aid not restricted to specific purpose	71,409,390
Interest and investment earnings	525,513
Interagency revenues	149,407
Miscellaneous	5,043,110
Total general revenues	<u>109,184,288</u>
Change in net position	<u>(4,009,367)</u>
Net position - July 1, 2017, as originally stated	(23,544,590)
Restatement - change in accounting principle	<u>(8,025,044)</u>
Net position - July 1, 2017, as restated	<u>(31,569,634)</u>
Net position - June 30, 2018	<u>\$ (35,579,001)</u>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2018*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 31,120,463	\$ 14,801,405	\$ 7,332,904	\$ 5,602,002	\$ 58,856,774
Investments	977,084	-	-	-	977,084
Accounts receivable	2,088,118	89,554	-	315,901	2,493,573
Inventories	52,978	-	-	88,484	141,462
Total Assets	<u>\$ 34,238,643</u>	<u>\$ 14,890,959</u>	<u>\$ 7,332,904</u>	<u>\$ 6,006,387</u>	<u>\$ 62,468,893</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 6,889,474	\$ 240,088	\$ -	\$ 201,131	\$ 7,330,693
Unearned revenue	13,538	-	-	156,066	169,604
Total Liabilities	<u>6,903,012</u>	<u>240,088</u>	<u>-</u>	<u>357,197</u>	<u>7,500,297</u>
<b>Fund Balances</b>					
Nonspendable	142,978	-	-	88,484	231,462
Restricted	2,738,696	14,650,296	7,332,904	5,551,501	30,273,397
Assigned	5,537,378	575	-	9,205	5,547,158
Unassigned	18,916,579	-	-	-	18,916,579
Total Fund Balances	<u>27,335,631</u>	<u>14,650,871</u>	<u>7,332,904</u>	<u>5,649,190</u>	<u>54,968,596</u>
Total Liabilities and Fund Balances	<u>\$ 34,238,643</u>	<u>\$ 14,890,959</u>	<u>\$ 7,332,904</u>	<u>\$ 6,006,387</u>	<u>\$ 62,468,893</u>

# BONITA UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2018

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**Total fund balances - governmental funds** \$ 54,968,596

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

Capital assets at historical cost:	247,248,622	
Accumulated depreciation:	<u>(89,834,799)</u>	
Net:		157,413,823

In governmental funds, interest subsidies received from 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: 172,812

Deferred amounts 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 amounts on refunding at the end of the period were: 3,695,351

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: (2,140,499)

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	132,315,805	
Certificates of participation	729,699	
Capital leases	204,091	
Compensated absences	1,241,165	
Early retirement incentive	848,119	
Clean Renewable Energy Bonds	12,753,000	
Other postemployment benefits	<u>17,994,686</u>	(166,086,565)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (110,348,735)

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

Deferred outflows - related to OPEB	389,354
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In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred inflows and outflows relating to pensions for the period were:

Deferred outflows - related to pensions	31,306,148
Deferred inflows - related to pensions	<u>(4,949,286)</u>

**Total net position - governmental activities** \$ (35,579,001)



## BONITA UNIFIED SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 84,883,149	\$ -	\$ -	\$ -	\$ 84,883,149
Federal sources	3,170,641	-	988,042	1,843,157	6,001,840
Other state sources	9,233,573	-	62,300	124,745	9,420,618
Other local sources	13,078,931	279,805	7,882,429	4,784,467	26,025,632
Total Revenues	110,366,294	279,805	8,932,771	6,752,369	126,331,239
<b>EXPENDITURES</b>					
Current:					
Instruction	61,368,154	-	-	-	61,368,154
Instruction-Related Services:					
Supervision of instruction	7,145,186	-	-	108,141	7,253,327
Instructional library, media and technology	958,921	-	-	-	958,921
School site administration	6,328,069	-	-	-	6,328,069
Pupil Support Services:					
Home-to-school transportation	1,877,778	-	-	-	1,877,778
Food services	-	-	-	2,563,789	2,563,789
All other pupil services	6,912,096	-	-	6,708	6,918,804
Ancillary services	1,470,947	-	-	-	1,470,947
Community services	80,978	-	-	2,075,571	2,156,549
General Administration Services:					
Data processing services	2,925,573	-	-	-	2,925,573
Other general administration	5,941,908	-	-	-	5,941,908
Plant services	8,115,925	2,152	-	1,210,429	9,328,506
Transfers of indirect costs	(295,646)	-	-	295,646	-
Capital Outlay	900,886	6,231,937	-	719,990	7,852,813
Intergovernmental Transfers	1,107,302	-	-	-	1,107,302
Debt Service:					
Principal	878,604	-	2,655,000	2,695	3,536,299
Interest	782,468	-	6,011,736	178	6,794,382
Total Expenditures	106,499,149	6,234,089	8,666,736	6,983,147	128,383,121
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,867,145	(5,954,284)	266,035	(230,778)	(2,051,882)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt - capital leases	21,669	-	-	-	21,669
Total Other Financing Sources and Uses	21,669	-	-	-	21,669
Net Change in Fund Balances	3,888,814	(5,954,284)	266,035	(230,778)	(2,030,213)
Fund Balances, July 1, 2017	23,446,817	20,605,155	7,066,869	5,879,968	56,998,809
Fund Balances, June 30, 2018	\$ 27,335,631	\$ 14,650,871	\$ 7,332,904	\$ 5,649,190	\$ 54,968,596

## 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, 2018

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**Total net change in fund balances - governmental funds** \$ (2,030,213)

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	7,519,581	
Depreciation expense	<u>(9,229,117)</u>	
Net:		(1,709,536)

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. 3,536,299

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: (21,669)

Deferred amounts 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 amounts 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 amounts and the current year amortization is: (285,929)

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: (44,812)

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: 554,686

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The increase in the net OPEB liability at the end of the period was: (867,024)

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: 13,940

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 absences and early retirement incentives paid and earned was: 1,222,270

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (4,377,379)

**Change in net position of governmental activities** \$ (4,009,367)

**BONITA UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2018*

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	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
<b>ASSETS</b>			
Cash	\$ 1,037,465	\$ 722,194	\$ 1,759,659
Accounts receivable	-	25,409	25,409
Inventories - supplies and materials	-	45,729	45,729
Web store clearing	-	1,494	1,494
Total assets	<u>\$ 1,037,465</u>	<u>\$ 794,826</u>	<u>\$ 1,832,291</u>
<b>LIABILITIES</b>			
Due to regulatory agencies	\$ 1,037,465	\$ -	\$ 1,037,465
Accounts payable	-	17	17
Due to student groups	-	794,809	794,809
Total liabilities	<u>\$ 1,037,465</u>	<u>\$ 794,826</u>	<u>\$ 1,832,291</u>

# BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bonita Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant 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.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

### 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.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 1. Basis of Presentation (continued)

###### 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. The District also maintains a Special Reserve Fund for Postemployment Benefits which does not meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General 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.

###### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

###### Special Revenue Funds:

**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.

###### 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.

**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.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 1. Basis of Presentation (continued)

###### **Fiduciary Funds (continued)**

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.

##### 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. 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.

##### 3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 3. Revenues - Exchange and Non-Exchange Transactions (continued)

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

#### 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.

#### E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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.

**BONITA UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2018***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)****3. Capital Assets (continued)**

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



# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

##### 4. Unearned Revenue

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

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

##### 5. 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.

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.

##### 6. 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.

##### 7. Postemployment Benefits Other Than Pensions (OPEB)

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

## BONITA UNIFIED SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2018*

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

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

##### 8. Pensions

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

##### 9. 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.

**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.

## BONITA UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2018*

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

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

###### 10. 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.

##### F. 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.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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

#### G. 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.

#### H. 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.

#### I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

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

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

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2018

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

**I. New GASB Pronouncements (continued)**

Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
  - Reporting amounts previously reported as goodwill and “negative” goodwill
  - Classifying real estate held by insurance entities
  - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
  - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
  - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
  - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
  - Classifying employer-paid member contributions for OPEB
  - Simplifying certain aspects of the alternative measurement method for OPEB
  - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2018, are reported at fair value and consisted of the following:

	<u>Governmental Activities/Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 58,678,180	\$ 1,037,465
Deposits:		
Cash on hand and in banks	88,594	722,194
Cash in revolving fund	90,000	-
Total deposits	<u>178,594</u>	<u>722,194</u>
Total cash	<u>\$ 58,856,774</u>	<u>\$ 1,759,659</u>
Investments:		
U.S. Bank First American Treasury Obligations	<u>Rating</u> AA	<u>\$ 977,084</u>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

Investment security ratings reported as of June 30, 2018, 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, 2018, 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.

As of June 30, 2018, \$126,986 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, 2018, consist of the following:

	Fair Value	Maturity		Fair Value Measurement
		Less Than One Year	One Year Through Five Years	
Investment maturities:				
U.S. Bank First American Treasury Obligations	\$ 977,084	\$ 977,084	\$ -	Level 2

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 2 – CASH AND INVESTMENTS (continued)

#### 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, 2018, 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, 2018, 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%

#### Fair Value Measurements

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

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

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

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

Uncategorized – Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

All assets have been valued using a market approach, with quoted market prices.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2018, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government:				
Categorical aid programs	\$ 759,712	\$ -	\$ 244,260	\$ 1,003,972
State Government:				
Lottery	1,020,587	-	-	1,020,587
Categorical aid programs	139,692	-	25,906	165,598
Local:				
Interest	83,358	89,554	25,248	198,160
All other local sources	84,769	-	20,487	105,256
<b>Total</b>	<b>\$ 2,088,118</b>	<b>\$ 89,554</b>	<b>\$ 315,901</b>	<b>\$ 2,493,573</b>

**NOTE 4 – FUND BALANCES**

At June 30, 2018, 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	52,978	-	-	88,484	141,462
Total Nonspendable	142,978	-	-	88,484	231,462
Restricted:					
Categorical programs	2,738,696	-	-	284,714	3,023,410
Capital projects	-	14,650,296	-	5,255,985	19,906,281
Child development program	-	-	-	10,802	10,802
Debt service	-	-	7,332,904	-	7,332,904
Total Restricted	2,738,696	14,650,296	7,332,904	5,551,501	30,273,397
Assigned:					
Additional board required reserve	4,259,099	-	-	-	4,259,099
School site carryovers	1,125,146	-	-	-	1,125,146
Cafeteria program	-	-	-	9,205	9,205
Capital projects	-	575	-	-	575
Other postemployment benefits	153,133	-	-	-	153,133
Total Assigned	5,537,378	575	-	9,205	5,547,158
Unassigned:					
Reserve for economic uncertainties	3,203,194	-	-	-	3,203,194
Remaining unassigned balances	15,713,385	-	-	-	15,713,385
Total Unassigned	18,916,579	-	-	-	18,916,579
<b>Total</b>	<b>\$ 27,335,631</b>	<b>\$ 14,650,871</b>	<b>\$ 7,332,904</b>	<b>\$ 5,649,190</b>	<b>\$ 54,968,596</b>



**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,711,208	\$ -	\$ -	\$ 1,711,208
Construction in progress	14,674,623	6,468,746	17,229,028	3,914,341
Total capital assets not being depreciated	<u>16,385,831</u>	<u>6,468,746</u>	<u>17,229,028</u>	<u>5,625,549</u>
Capital assets being depreciated:				
Improvement of sites	73,260,423	121,975	-	73,382,398
Buildings	137,572,377	17,829,748	-	155,402,125
Equipment	12,510,410	328,140	-	12,838,550
Total capital assets being depreciated	<u>223,343,210</u>	<u>18,279,863</u>	<u>-</u>	<u>241,623,073</u>
Accumulated depreciation for:				
Improvement of sites	(11,070,839)	(3,605,947)	-	(14,676,786)
Buildings	(61,061,134)	(4,737,801)	-	(65,798,935)
Equipment	(8,473,709)	(885,369)	-	(9,359,078)
Total accumulated depreciation	<u>(80,605,682)</u>	<u>(9,229,117)</u>	<u>-</u>	<u>(89,834,799)</u>
Total capital assets being depreciated, net	<u>142,737,528</u>	<u>9,050,746</u>	<u>-</u>	<u>151,788,274</u>
Governmental activity capital assets, net	<u>\$ 159,123,359</u>	<u>\$ 15,519,492</u>	<u>\$ 17,229,028</u>	<u>\$ 157,413,823</u>

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

Instruction	\$ 6,256,428
School Site Administration	8,897
Home-to-School Transportation	192,851
Food Services	37,388
All Other Pupil Services	381
Ancillary Services	822
Community Services	4,898
All Other General Administration	1,501,789
Centralized Data Processing	324,880
Plant Services	<u>900,783</u>
Total	<u>\$ 9,229,117</u>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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**NOTE 6 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 125,489,790	\$ -	\$ 2,655,000	\$ 122,834,790	\$ 2,960,000
Accreted interest	1,386,000	261,932	-	1,647,932	-
Unamortized issuance premium	8,387,769	-	554,686	7,833,083	554,685
Total - General Obligation Bonds	135,263,559	261,932	3,209,686	132,315,805	3,514,685
Certificates of Participation:					
Principal payments	530,910	-	187,438	343,472	176,643
Accreted interest	603,347	441,477	658,597	386,227	670,455
Total - COPs	1,134,257	441,477	846,035	729,699	847,098
Clean renewal energy bonds	13,307,000	-	554,000	12,753,000	585,000
Capital leases	322,283	21,669	139,861	204,091	96,272
Compensated absences	1,511,027	-	269,862	1,241,165	-
Early retirement incentive	1,800,527	92,238	1,044,646	848,119	191,437
Other postemployment benefits	16,348,954	2,060,526	414,794	17,994,686	-
Totals	\$ 169,687,607	\$ 2,877,842	\$ 6,478,884	\$ 166,086,565	\$ 5,234,492

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments, capital leases payments, and clean energy bond 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 as "Qualified School Construction Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act").

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2018

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**NOTE 6 – 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.

**Prior-Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, \$40.3 million of bonds outstanding are considered defeased.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2018, deferred amounts on refunding were \$3,695,351.

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, 2017	Additions	Deductions	Balance, June 30, 2018																									
<b>Election of 2004 (Measure C)</b>																																	
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 224,790	\$ -	\$ -	\$ 224,790																									
<b>Election of 2008 (Measure AB)</b>																																	
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	1,940,000	-	475,000	1,465,000																									
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	7,370,000	-	715,000	6,655,000																									
2008 C	3/27/2014	8/1/2038	4.0%-5.0%	27,300,000	27,300,000	-	-	27,300,000																									
<b>Refunding Bonds</b>																																	
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	20,475,000	-	1,045,000	19,430,000																									
2014 Ref.	10/2/2014	8/1/2031	2.0%-5.0%	25,255,000	24,910,000	-	390,000	24,520,000																									
2016 Ref.	3/1/2016	8/1/2037	2.0%-5.0%	19,315,000	19,210,000	-	30,000	19,180,000																									
2016 Ref. B	8/11/2016	8/1/2034	2.0%-4.0%	24,060,000	24,060,000	-	-	24,060,000																									
					<u>\$ 125,489,790</u>	<u>\$ -</u>	<u>\$ 2,655,000</u>	<u>\$ 122,834,790</u>																									
<table border="1"> <thead> <tr> <th></th> <th>Balance, July 1, 2017</th> <th>Additions</th> <th>Deductions</th> <th>Balance, June 30, 2018</th> </tr> </thead> <tbody> <tr> <td>Accreted Interest</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2004 A</td> <td>\$ 264,678</td> <td>\$ 31,372</td> <td>\$ -</td> <td>\$ 296,050</td> </tr> <tr> <td>2008 A</td> <td>1,121,322</td> <td>230,560</td> <td>-</td> <td>1,351,882</td> </tr> <tr> <td></td> <td><u>\$ 1,386,000</u></td> <td><u>\$ 261,932</u></td> <td><u>\$ -</u></td> <td><u>\$ 1,647,932</u></td> </tr> </tbody> </table>										Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Accreted Interest					2004 A	\$ 264,678	\$ 31,372	\$ -	\$ 296,050	2008 A	1,121,322	230,560	-	1,351,882		<u>\$ 1,386,000</u>	<u>\$ 261,932</u>	<u>\$ -</u>	<u>\$ 1,647,932</u>
	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018																													
Accreted Interest																																	
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2008 A	1,121,322	230,560	-	1,351,882																													
	<u>\$ 1,386,000</u>	<u>\$ 261,932</u>	<u>\$ -</u>	<u>\$ 1,647,932</u>																													

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 6 - GENERAL LONG-TERM DEBT (continued)

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

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2018, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2019	\$ 2,960,000	\$ 5,080,104	\$ 8,040,104
2019-2020	2,675,910	5,628,644	8,304,554
2020-2021	2,985,490	5,582,664	8,568,154
2021-2022	3,308,600	5,524,154	8,832,754
2022-2023	4,435,000	4,409,794	8,844,794
2023-2028	29,300,000	18,771,721	48,071,721
2028-2033	38,639,790	11,930,795	50,570,585
2033-2038	30,700,000	5,141,938	35,841,938
2038-2039	7,830,000	195,750	8,025,750
	<u>\$ 122,834,790</u>	<u>\$ 62,265,564</u>	<u>\$ 185,100,354</u>

#### 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, 2018, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$343,472, in addition to \$386,227 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2018, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-2019	\$ 176,643	\$ 670,455	\$ 847,098
2019-2020	166,829	683,171	850,000
Total	<u>\$ 343,472</u>	<u>\$ 1,353,626</u>	<u>\$ 1,697,098</u>

## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2018

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#### NOTE 6 – GENERAL LONG-TERM DEBT (continued)

##### C. Clean Renewable Energy Bonds (CREBs)

On March 18, 2016, the District issued \$13,307,000 of Clean Renewable Energy Bonds through the Public Property Financing Corporation of California. The lease payments bear a fixed interest rate of 3.63% with semi-annual payments commencing on March 17, 2017 through April 1, 2033.

The annual requirements to amortize clean renewable energy bonds outstanding as of June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	\$ 585,000	\$ 458,003	\$ 1,043,003
2019-2020	617,000	436,460	1,053,460
2020-2021	650,000	413,744	1,063,744
2021-2022	690,000	389,766	1,079,766
2022-2023	725,000	364,381	1,089,381
2023-2028	4,202,000	1,394,037	5,596,037
2028-2033	5,284,000	545,386	5,829,386
Total	<u>\$ 12,753,000</u>	<u>\$ 4,001,777</u>	<u>\$ 16,754,777</u>

##### D. Capital Leases

The District has entered into lease agreements to obtain copiers valued at \$550,137 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
2018-2019	\$ 96,272	\$ 4,532	\$ 100,804
2019-2020	68,393	1,944	70,337
2020-2021	36,230	539	36,769
2021-2022	3,196	21	3,217
Total	<u>\$ 204,091</u>	<u>\$ 7,036</u>	<u>\$ 211,127</u>

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

##### E. Early Retirement Incentives

The District has offered various incentive programs for both certificated and classified employees to induce early retirement. Most programs involve a one-time lump sum payment in addition to an on-going annuity.

Currently, 127 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 \$1,044,646 were incurred for retiree incentives.

The estimated future liability at June 30, 2018, is \$848,119. 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.

## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2018

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#### NOTE 7 – 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 of the JPA's is shown below:

	ASCIP June 30, 2017	VIP June 30, 2017
Total Assets	\$ 432,804,369	\$ 32,058,032
Total Deferred Outflows of Resources	1,683,588	-
Total Liabilities	239,767,762	15,516,560
Total Deferred Inflows of Resources	604,583	-
Fund Equity	<u>\$ 194,115,612</u>	<u>\$ 16,541,472</u>
Total Revenues	\$ 275,316,572	\$ 6,338,215
Total Expenses	<u>266,015,831</u>	<u>2,425,969</u>
Net Increase in Fund Equity	<u>\$ 9,300,741</u>	<u>\$ 3,912,246</u>

## **BONITA UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2018*

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#### **NOTE 8 – RISK MANAGEMENT**

##### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District 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 2018, 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.

##### **Employee Medical Benefits**

For fiscal year 2018, the District had a cap of \$7,500 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 9 – 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, 2018, the District had commitments with respect to unfinished capital projects of approximately \$7.7 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.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 10 – PENSION 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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 81,651,931	\$ 22,305,073	\$ 4,611,417	\$ 9,217,102
CalPERS	28,696,804	9,001,075	337,869	5,426,219
Total	\$ 110,348,735	\$ 31,306,148	\$ 4,949,286	\$ 14,643,321

The details of each plan are as follows:

#### A. California State Teachers' Retirement System (CalSTRS)

##### Plan Description

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

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

##### Benefits Provided

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

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



**BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2018*

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

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

**Benefits Provided (continued)**

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

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

	<b>STRP Defined Benefit Program</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

**Contributions**

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District’s total contributions were \$6,876,142.

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

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

Total net pension liability, including State share:		
District's proportionate share of net pension liability	\$	81,651,931
State's proportionate share of the net pension liability associated with the District		19,068,879
Total	\$	<u>100,720,810</u>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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

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

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

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2018	June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.088291%	0.090000%	-0.001709%

For the year ended June 30, 2018, the District recognized pension expense of \$9,217,102. In addition, the District recognized pension expense and revenue of \$860,796 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,876,142	\$ -
Net change in proportionate share of net pension liability	-	1,012,657
Difference between projected and actual earnings on pension plan investments	-	2,174,619
Changes of assumptions and actual experience	15,126,974	-
	<u>301,957</u>	<u>1,424,141</u>
Total	<u>\$ 22,305,073</u>	<u>\$ 4,611,417</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 10 – PENSION PLANS (continued)

#### A. California State Teachers' Retirement System (CalSTRS) (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows)
2019	\$ 360,204
2020	3,536,047
2021	2,365,303
2022	235,713
2023	2,332,635
Thereafter	1,987,612
Total	<u>\$ 10,817,514</u>

#### Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2018

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

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

**Actuarial Methods and Assumptions (continued)**

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 119,890,956
Current discount rate (7.10%)	81,651,930
1% increase (8.10%)	50,618,370

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,928,198 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 10 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS)

##### Plan Description

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

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

##### Benefits Provided

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

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

##### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Contributions (continued)**

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$2,529,005.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,696,804. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2018</u>	<u>Fiscal Year Ending June 30, 2017</u>	
Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Proportion of the Net Pension Liability	0.120208%	0.120000%	0.000208%

For the year ended June 30, 2018, the District recognized pension expense of \$5,426,219. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,529,005	\$ -
Net change in proportionate share of net pension liability	259,649	-
Difference between projected and actual earnings on pension plan investments	992,713	-
Changes of assumptions	4,191,620	337,869
Differences between expected and actual experience in the measurement of the total pension liability	1,028,088	-
Total	<u>\$ 9,001,075</u>	<u>\$ 337,869</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 10 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS) (continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows)
2019	\$ 1,863,165
2020	3,004,074
2021	1,802,031
2022	(535,069)
Total	<u>\$ 6,134,201</u>

##### **Actuarial Methods and Assumptions**

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2018

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

**B. California Public Employees Retirement System (CalPERS) (continued)**

**Actuarial Methods and Assumptions (continued)**

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 42,222,195
Current discount rate (7.15%)	28,696,804
1% increase (8.15%)	17,476,360

**C. Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

**D. Payables to the Pension Plans**

At June 30, 2018, the District reported payables of \$616,180 and \$166,340 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.



# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2018

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### NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

#### A. General Information about the OPEB Plan

##### Plan description

The District's defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

##### Benefits provided

Following is a description of the benefits provided by the District:

- 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 (\$128 per month in 2017, \$133 per month in 2018, \$136 per month in 2019) 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 (\$128 per month in 2017, \$133 per month in 2018, \$136 per month in 2019) from the District.

##### Employees covered by benefit terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	210
Active employees	1,038
Total	<u>1,248</u>

##### Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

#### B. Total OPEB Liability

The District's total OPEB liability of \$17,403,491 for the District Plan was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability of \$591,195 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**B. Total OPEB Liability (continued)**

**Actuarial assumptions and other inputs**

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

	District Plan	MPP Program
Valuation Date	June 30, 2018	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Inflation	3.5 percent	N/A
Salary increases	2.75 percent, average, including inflation	N/A
Healthcare cost trend rates	3.5 percent	3.58 percent
Retirees' share of benefit-related costs	Any healthcare costs above the monthly subsidy must be paid by the retiree	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

**District Plan**

The discount rate under GASB 75 is required to be a blend of the long-term expected rate of return (ROR) to the extent funded and the 20-year municipal bond rate. Specifically, an initial projection is made using the ROR on irrevocable OPEB plan assets and, as long as the plan's net position and projected contributions associated with current participants are expected to fully cover projected benefit payments (including expenses), this long-term rate may be used. For years in which the net position is not projected to cover projected benefit payments, the discount rate used is equal to the 20-year municipal bond yield. A single discount rate is then determined as a blend of the two rates, which produces the same discounted present value of benefits as the dual rate calculation. Since the OPEB is not funded through an irrevocable trust, the municipal bond rate was selected for all years. As of June 30, 2017, a rate of 3.13% was used. As of June 30, 2018, a rate of 2.98% was used.

Mortality rates are based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2015 experience study and the CalPERS mortality rates are from the 2017 experience study.

**MPP Program**

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

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**C. Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2017</b>	<u>\$ 15,691,272</u>
<b>Changes for the year:</b>	
Service cost	1,106,220
Interest	520,352
Changes in assumptions	433,954
Benefit payments	<u>(348,307)</u>
Net changes	<u>1,712,219</u>
<b>Balance at June 30, 2018</b>	<u>17,403,491</u>
 <b>District's Proportionate Share of the Net MPP OPEB Liability</b>	 <u>591,195</u>
 <b>District's Total Reported Net OPEB Liability</b>	 <u><u>\$ 17,994,686</u></u>

**Changes in assumptions since the prior valuation**

- The discount rate as of the beginning of the fiscal year changed from 5.00% to 3.13% to reflect the adoption of GASB 75.
- The discount rate as of the end of the fiscal year changed from 3.13% to 2.98% based on the change in 20-year municipal bond yields.
- The actuarial cost method changed to the Entry Age Normal method to reflect the adoption of GASB 75.
- The mortality, termination, and retirement rates for non-certificated participants were updated to reflect the CalPERS 2017 experience study.
- The trend on the CalPERS minimum employer contribution was updated from 4.50% to 3.50%.
- The participation assumption was updated to 80% to better reflect anticipated future experience.

**Sensitivity of the total OPEB liability to changes in the discount rate**

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

	1% Decrease <u>1.98%</u>	Discount Rate <u>2.98%</u>	1% Increase <u>3.98%</u>
District Plan	\$ 20,710,860	\$ 17,403,491	\$ 14,768,183
	1% Decrease <u>2.58%</u>	Discount Rate <u>3.58%</u>	1% Increase <u>4.58%</u>
MPP Program	\$ 654,494	\$ 591,195	\$ 529,623

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2018*

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**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**C. Changes in the Total OPEB Liability (continued)**

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 2.5%	Healthcare Cost Trend Rates 3.5%	1% Increase 4.5%
District Plan	\$ 14,423,989	\$ 17,403,491	\$ 21,294,957
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 534,235	\$ 591,195	\$ 647,586

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,671,172. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from changes in assumptions of \$389,354. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2018	\$ 44,600
2019	44,600
2020	44,600
2021	44,600
2022	44,600
Thereafter	166,354

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***Required Supplementary Information***

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**BONITA UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2018*

	<b>Budgeted Amounts</b>		<b>Actual*</b> <b>(Budgetary Basis)</b>	<b>Variance with Final Budget - Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
LCFF Sources	\$ 85,022,560	\$ 84,916,239	\$ 84,883,149	\$ (33,090)
Federal Sources	2,968,115	3,370,683	3,170,641	(200,042)
Other State Sources	3,465,111	8,929,173	9,233,573	304,400
Other Local Sources	9,496,974	12,151,106	13,076,569	925,463
<b>Total Revenues</b>	<b>100,952,760</b>	<b>109,367,201</b>	<b>110,363,932</b>	<b>996,731</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	50,211,578	49,630,408	49,835,993	(205,585)
Classified Salaries	15,647,460	16,448,767	16,203,730	245,037
Employee Benefits	20,701,481	24,345,355	23,817,398	527,957
Books and Supplies	4,091,207	5,758,455	4,022,213	1,736,242
Services and Other Operating Expenditures	10,350,568	10,565,039	8,891,737	1,673,302
Capital Outlay	1,171,000	1,067,319	959,704	107,615
Other Outgo	2,489,503	2,433,124	2,768,374	(335,250)
<b>Total Expenditures</b>	<b>104,662,797</b>	<b>110,248,467</b>	<b>106,499,149</b>	<b>3,749,318</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(3,710,037)</b>	<b>(881,266)</b>	<b>3,864,783</b>	<b>4,746,049</b>
<b>Other Financing Sources and Uses</b>				
All other financing sources	-	-	21,669	21,669
<b>Net Change in Fund Balances</b>	<b>(3,710,037)</b>	<b>(881,266)</b>	<b>3,886,452</b>	<b>4,767,718</b>
Fund Balances, July 1, 2017	23,296,046	23,296,046	23,296,046	-
<b>Fund Balances, June 30, 2018</b>	<b>\$ 19,586,009</b>	<b>\$ 22,414,780</b>	<b>\$ 27,182,498</b>	<b>\$ 4,767,718</b>

\* The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.



**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2018*

	Last Ten Fiscal Years*			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CalSTRS</b>				
District's proportion of the net pension liability	0.0883%	0.0900%	0.0920%	0.0890%
District's proportionate share of the net pension liability	\$ 81,651,931	\$ 72,792,900	\$ 61,938,080	\$ 52,008,930
State's proportionate share of the net pension liability associated with the District	19,068,879	41,445,801	32,758,329	31,405,553
Totals	<u>\$ 100,720,810</u>	<u>\$ 114,238,701</u>	<u>\$ 94,696,409</u>	<u>\$ 83,414,483</u>
District's covered-employee payroll	\$ 46,975,636	\$ 45,280,429	\$ 43,418,097	\$ 39,697,515
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.82%	160.76%	142.65%	131.01%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
<b>CalPERS</b>				
District's proportion of the net pension liability	0.1202%	0.1200%	0.1236%	0.1127%
District's proportionate share of the net pension liability	\$ 28,696,804	\$ 23,700,074	\$ 18,218,762	\$ 12,794,194
District's covered-employee payroll	\$ 15,327,405	\$ 14,397,096	\$ 13,686,645	\$ 11,907,236
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.23%	164.62%	133.11%	107.45%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

**Notes to Schedule:**

**Changes in Benefit Terms**

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

**Change of Assumptions and Methods**

**CalSTRS:**

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

**CalPERS:**

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions*  
*For the Fiscal Year Ended June 30, 2018*

	Last Ten Fiscal Years*			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 6,876,142	\$ 5,909,535	\$ 4,858,590	\$ 3,855,527
Contributions in relation to the contractually required contribution	<u>6,876,142</u>	<u>5,909,535</u>	<u>4,858,590</u>	<u>3,855,527</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 47,651,715</u>	<u>\$ 46,975,636</u>	<u>\$ 45,280,429</u>	<u>\$ 43,418,097</u>
Contributions as a percentage of covered-employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 2,529,005	\$ 2,128,670	\$ 1,705,624	\$ 1,611,055
Contributions in relation to the contractually required contribution	<u>2,529,005</u>	<u>2,128,670</u>	<u>1,705,624</u>	<u>1,611,055</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 16,283,594</u>	<u>\$ 15,327,405</u>	<u>\$ 14,397,096</u>	<u>\$ 13,686,645</u>
Contributions as a percentage of covered-employee payroll	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

**BONITA UNIFIED SCHOOL DISTRICT**

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
For the Fiscal Year Ended June 30, 2018*

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Last 10 Fiscal Years\*

	<u>2017</u>
<b>Total OPEB liability</b>	
Service cost	\$ 1,106,220
Interest	520,352
Changes of assumptions or other inputs	433,954
Benefit payments	<u>(348,307)</u>
<b>Net change in total OPEB liability</b>	1,712,219
<b>Total OPEB liability - beginning</b>	<u>15,691,272</u>
<b>Total OPEB liability - ending</b>	<u>\$ 17,403,491</u>
<b>Covered-employee payroll</b>	<u>\$ 62,221,171</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>27.97%</u>

**Notes to Schedule:**

**Changes in assumptions since the prior valuation**

- The discount rate as of the beginning of the fiscal year changed from 5.00% to 3.13% to reflect the adoption of GASB 75.
- The discount rate as of the end of the fiscal year changed from 3.13% to 2.98% based on the change in 20-year municipal bond yields.
- The actuarial cost method changed to the Entry Age Normal method to reflect the adoption of GASB 75.
- The mortality, termination, and retirement rates for non-certificated participants were updated to reflect the CalPERS 2017 experience study.
- The trend on the CalPERS minimum employer contribution was updated from 4.50% to 3.50%.
- The participation assumption was updated to 80% to better reflect anticipated future experience.

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**BONITA UNIFIED SCHOOL DISTRICT***Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program  
For the Fiscal Year Ended June 30, 2018**(Dollars in Thousands, except for District's proportionate share)*

	<b>2017</b>
<b>Total OPEB liability</b>	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
<b>Net change in total OPEB liability</b>	<b>(47,282)</b>
<b>Total OPEB liability - beginning</b>	<b>468,031</b>
<b>Total OPEB liability - ending</b>	<b>\$ 420,749</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
<b>Net change in plan fiduciary net position</b>	<b>31</b>
<b>Plan fiduciary net position - beginning</b>	<b>10</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 41</b>
<b>Net OPEB liability</b>	<b>\$ 420,708</b>
<b>District's proportionate share of net OPEB liability</b>	<b>\$ 591,195</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.01%</b>
<b>Covered-employee payroll</b>	<b>N/A</b>
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	<b>N/A</b>

**Notes to Schedule:**

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

*This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2018*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Proportionate Share of the Net Pension Liability**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

**Schedule of Pension Contributions**

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

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

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>General Fund</u>
Certificated Salaries	\$ 205,585
Other Outgo	335,250

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***Supplementary Information***

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## **BONITA UNIFIED SCHOOL DISTRICT**

### *Local Educational Agency Organization Structure*

*June 30, 2018*

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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**

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<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Chuck Coyne	President	December, 2018
Patti Latourelle	Vice-President	December, 2018
Glenn Creiman	Member	December, 2020
Diane Koach	Member	December, 2020
Matthew Lyons	Member	December, 2020

#### **DISTRICT ADMINISTRATORS**

Carl Coles,  
*Superintendent*

Kevin Lee,  
*Assistant Superintendent, Human Resources*

Matthew Wien,  
*Assistant Superintendent, Educational Services*

Susan Cross Hume, CPA, CIA, CGMA,  
*Assistant Superintendent, Business Services*



**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2018*

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	<b>Second Period Report</b>	<b>Annual Report</b>
	Certificate No. (585E0333)	Certificate No. (4BCB2D98)
<b>Regular ADA:</b>		
Transitional Kindergarten through Third	2,804.35	2,816.59
Fourth through Sixth	2,188.69	2,187.27
Seventh through Eighth	1,417.86	1,416.13
Ninth through Twelfth	3,282.96	3,274.10
	<hr/>	<hr/>
Total Regular ADA	9,693.86	9,694.09
	<hr/>	<hr/>
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Transitional Kindergarten through Third	0.23	0.63
Fourth through Sixth	1.23	1.74
Seventh through Eighth	7.32	6.92
Ninth through Twelfth	27.33	28.11
	<hr/>	<hr/>
Total Special Education, Nonpublic, Nonsectarian Schools	36.11	37.40
	<hr/>	<hr/>
Total ADA	9,729.97	9,731.49
	<hr/> <hr/>	<hr/> <hr/>

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2018*

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<u>Grade Level</u>	<u>Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	46,940	180	Complied
Grade 1	50,400	50,630	180	Complied
Grade 2	50,400	50,630	180	Complied
Grade 3	50,400	50,630	180	Complied
Grade 4	54,000	56,615	180	Complied
Grade 5	54,000	56,615	180	Complied
Grade 6	54,000	58,520	180	Complied
Grade 7	54,000	58,520	180	Complied
Grade 8	54,000	58,520	180	Complied
Grade 9	64,800	65,005	180	Complied
Grade 10	64,800	65,005	180	Complied
Grade 11	64,800	65,005	180	Complied
Grade 12	64,800	65,005	180	Complied

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2018*

General Fund <sup>3</sup>	(Budget) <sup>2</sup>			
	2019	2018	2017	2016
Revenues and other financing sources	\$ 109,334,998	\$ 110,385,601	\$ 106,647,615	\$ 117,104,434
Expenditures	110,255,878	106,499,149	114,317,340	97,356,255
Total Outgo	110,255,878	106,499,149	114,317,340	97,356,255
Change in fund balance (deficit)	(920,880)	3,886,452	(7,669,725)	19,748,179
Ending fund balance	\$ 26,261,618	\$ 27,182,498	\$ 23,296,046	\$ 30,965,771
Available Reserves <sup>1</sup>	\$ 23,462,556	\$ 18,916,579	\$ 13,580,468	\$ 5,747,820
Available Reserves as a percentage of Total Outgo	21.3%	17.8%	11.9%	5.9%
Total Long-Term Debt	\$ 271,788,991	\$ 276,435,300	\$ 266,180,581	\$ 242,361,088
Average Daily Attendance at P-2	9,765	9,730	9,870	9,863

The General Fund balance has decreased by \$3,783,273 over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of \$920,880. 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 one of the past three years, and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term debt has increased by \$34,074,212 over the past two years.

Average daily attendance has decreased by 133 over the past two years. An increase of 35 ADA is anticipated during fiscal year 2018-19.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> As of September, 2018.

<sup>3</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**BONITA UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2018*

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2018*

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	13525	\$ 3,010	
Especially Needy Breakfast	10.553	13526	319,604	
National School Lunch Program	10.555	13523	1,317,668	
USDA - Donated Foods	10.555	N/A	202,875	
Subtotal Child Nutrition Cluster				\$ 1,843,157
Forest Reserve	10.665	10044		18,483
Total U.S. Department of Agriculture				1,861,640
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		650,340
Title II, Part A, Supporting Effective Instruction	84.367	14341		201,034
English Language Acquisition Cluster:				
Title III, Limited English Proficient (LEP) Program	84.365	14346	7,582	
Title III, Immigrant Education Program	84.365	15146	71,556	
Subtotal English Language Acquisition Cluster				79,138
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		35,073
Workability II, Transitions Partnership Program	84.126	10006		37,861
Passed through SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,551,340	
Preschool Grants, Part B	84.173	13430	31,679	
Preschool Local Entitlement, Part B	84.027A	13682	95,974	
Mental Health Allocation Plan, Part B	84.027	15197	171,717	
Preschool Staff Development, Part B	84.173A	13431	266	
Subtotal Special Education (IDEA) Cluster				1,850,976
Total U.S. Department of Education				2,854,422
U.S. Department of Health & Human Services:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	164,497	
Medi-Cal Administrative Activities (MAA)	N/A	10060	106,674	
Subtotal Medicaid Cluster				271,171
Total U.S. Department of Health & Human Services				271,171
Total Expenditures of Federal Awards				\$ 4,987,233

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Note to the Supplementary Information*  
*June 30, 2018*

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**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.

**Schedule of Financial Trends and Analysis**

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

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

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

**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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 6,001,840
Differences between Federal Revenues and Expenditures:		
Qualified School Construction Bonds - Interest Subsidy	Not applicable	(988,042)
Medi-Cal Billing Option	93.778	<u>(26,565)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 4,987,233</u>

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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, 2018, 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 November 26, 2018.

**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.

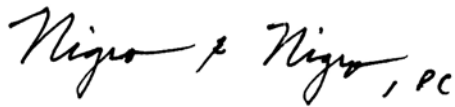
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**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.

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California  
November 26, 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Bonita Unified School District
San Dimas, California

Report on State Compliance

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Bonita Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of 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 on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. 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 on the following page that could have a direct and material effect on a state 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 state program. However, our audit does not provide a legal determination of Bonita Unified School District's compliance.

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

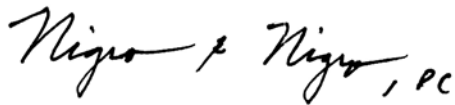
Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (Yes), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

***Unmodified 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, 2018.



Murrieta, California  
November 26, 2018



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

Board of Education  
Bonita Unified School District  
San Dimas, 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 *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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

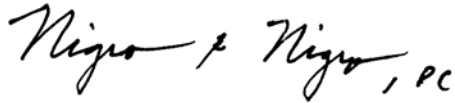
### **Report on Internal Control Over Compliance**

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 26, 2018

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***Findings and Questioned Costs***

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**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>10.553, 10.555</u> <u>Child Nutrition Cluster</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$        750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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**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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

***There were no financial statement findings in 2017-18.***

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2017-18.*

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2018*

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**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 2017-18.*

**BONITA UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2018*

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*There were no findings or questioned costs in 2016-17.*

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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, 2018, 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 November 26, 2018, on the financial statements of Bonita Unified School District.

#### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

**Observation:** In our testing of cash receipts at Bonita High, San Dimas High, and Ramona Middle, we found that four of the thirty cumulative deposits tested lacked sufficient supporting documentation. Without sufficient supporting documentation, we could not verify that all cash collected had been deposited intact and into the correct ASB account. 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.

**Recommendation:** 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:** In our test of cash disbursements at Ramona Middle, we noted that four of 25 disbursements selected in our sample were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditures had already been incurred.

**Recommendation:** 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. 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.

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

Murrieta, California  
November 26, 2018