

**BONITA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2017**



BONITA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2017
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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *2016-17 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, 2017, 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.

Other Matters*Required Supplementary Information*

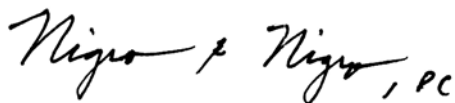
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16, budgetary comparison information on page 51, schedule of funding progress on page 52, schedule of proportionate share of the net pension liability on page 53, and schedule of pension contributions on page 54 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 58 to 61 and the schedule of expenditures of federal awards on page 62 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 57 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 December 1, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
December 1, 2017

BONITA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) For the Fiscal Year Ended June 30, 2017

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, 2017. 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 kindergarten through twelfth grade, including programs for preschool and special education. During the 2016-17 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 10,200 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.

BONITA UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017*

MISSION STATEMENT (continued)

Focusing on Excellence (continued)

STAFF DEVELOPMENT

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

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, 2017, the District's overall financial condition dropped from June 30, 2016, as Net Position decreased \$10.3 million. The largest change in the Balance Sheet items was a decrease in current assets, the largest part of which was a spending down of cash in the bond fund and other financing funds for various capital projects. As a result of these expenditures, capital assets net of depreciation increased \$9.6 million.
- Overall revenues increased \$1.5 million, to \$122.4 million. The largest category of revenue to the District is the Local Control Funding Formula (LCFF), which makes up \$82.6 million (70.8%) of total revenues.
- Overall expenditures increased \$13.3 million, to \$132.6 million. The majority of expenditures (\$83.5 million) were for instruction and instruction-related services.
- Since expenditures increased more than revenues, the change in net position showed a decrease of \$10.3 million. This amount represents a spending down of prior years' accumulated balances, and thus a decrease in the District's reserves.
- Total District-wide expenses were \$132.6 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 \$115.7 million.

General Fund Financial Statements

- The District's General Fund recorded a net decrease to the total ending Fund Balance for the year. This resulted primarily from the spending down of prior year legally restricted fund balances, mainly proceeds from CREB (Clean Renewable Energy) bonds.
- The Unrestricted General Fund recorded 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 \$106.6 million (\$93.1 million Unrestricted, \$13.5 million Restricted) were received.
- Expenditures of \$114.2 million (\$81.1 million Unrestricted, \$33.1 million Restricted) were made.
- Net other financing sources/uses of \$73 thousand were received.
- The net result of operations was a decrease to the ending fund balance of \$7.6 million. (\$12.0 million increase in Unrestricted, \$19.6 million decrease in Restricted)

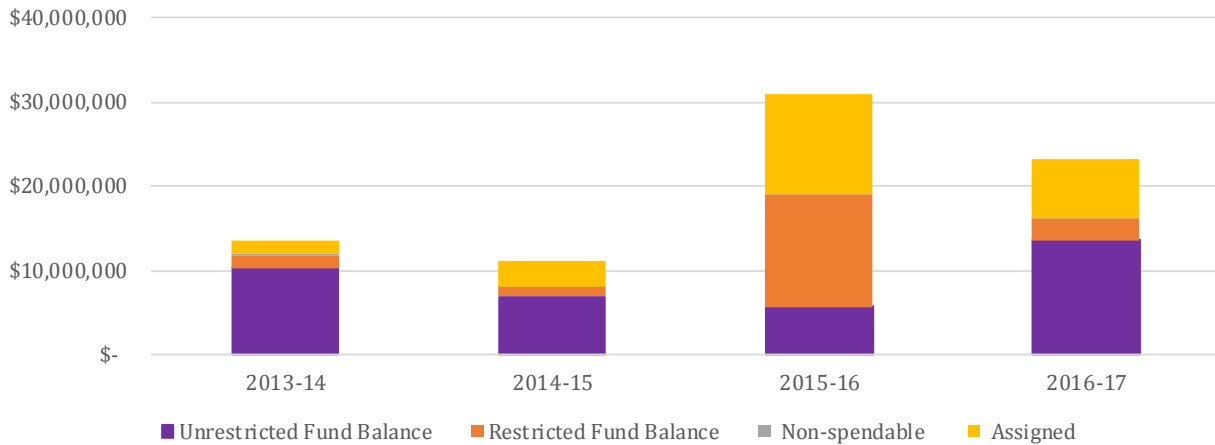
BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS (continued)

A four-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	30,965,771	19,748,179
2016-17	13,580,468	133,484	7,044,620	2,537,474	23,296,046	(7,669,725)

BUSD General Fund Balance



The Unrestricted General Fund Balance at June 30, 2017 (consisting of the Reserve for Economic Uncertainties plus Unassigned/Unappropriated amounts) was \$13,580,468. This amount was 11.9% 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.

BONITA UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017*

FINANCIAL HIGHLIGHTS (continued)

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 service 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.

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.

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.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

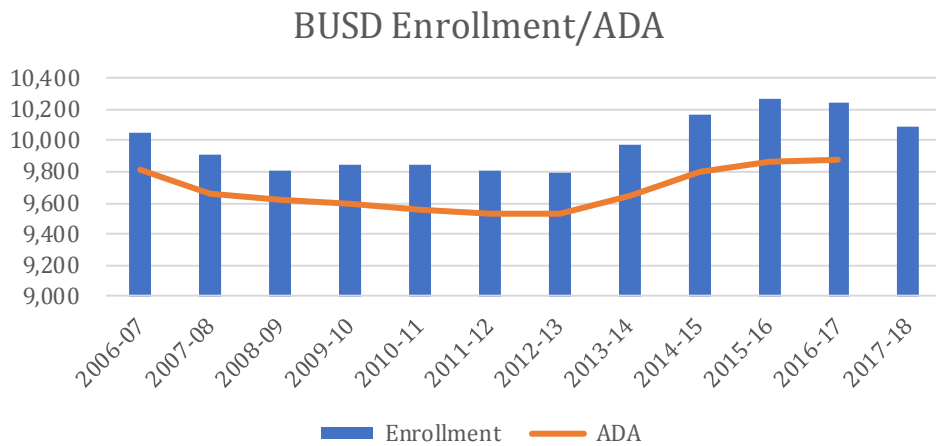
FINANCIAL HIGHLIGHTS (continued)

Average Daily Attendance (ADA) (continued)

In general, the District's enrollment has been stable, fluctuating less than 50 students over the past 10 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	9,803
2015-16	10,268	9,863
2016-17	10,245	9,870
2017-18	10,091	



BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

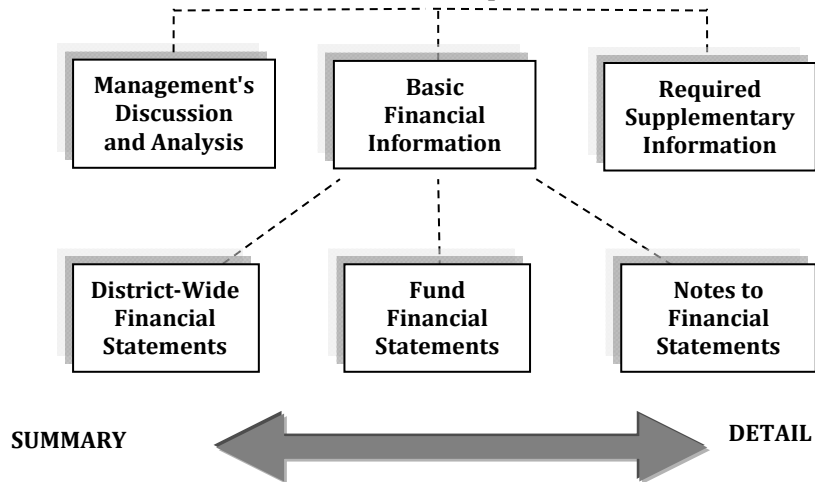
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<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, 2017

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, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2017, than it was the year before – decreasing 77.3% to \$(23.5) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
Assets			
Current assets	\$ 64,547,886	\$ 85,057,524	\$ (20,509,638)
Capital assets	159,123,359	149,489,363	9,633,996
Total assets	223,671,245	234,546,887	(10,875,642)
Deferred outflows of resources	25,688,000	17,712,086	7,975,914
Liabilities			
Current liabilities	9,530,704	12,355,180	(2,824,476)
Long-term liabilities	162,051,917	162,204,246	(152,329)
Net pension liability	96,492,974	80,156,842	16,336,132
Total liabilities	268,075,595	254,716,268	13,359,327
Deferred inflows of resources	4,828,240	10,819,435	(5,991,195)
Net position			
Net investment in capital assets	34,947,024	46,869,645	(11,922,621)
Restricted	12,212,403	22,712,587	(10,500,184)
Unrestricted	(70,704,017)	(82,858,962)	12,154,945
Total net position	\$ (23,544,590)	\$ (13,276,730)	\$ (10,267,860)

Changes in net position, governmental activities. The District's total revenues increased 1.2% to \$122.4 million (See Table A-2). The increase is due primarily to increased state LCFF funding.

The total cost of all programs and services increased 11.2% to \$132.6 million. The District's expenses are predominantly related to educating and caring for students, 71.6%. The purely administrative activities of the District accounted for just 12.0% of total costs. A significant contributor to the increase in costs was the completion of a solar energy project.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
Revenues			
Program Revenues:			
Charges for services	\$ 974,972	\$ 3,620,385	\$ (2,645,413)
Operating grants and contributions	15,921,665	17,237,694	(1,316,029)
General Revenues:			
Federal and state aid not restricted	71,746,346	72,581,062	(834,716)
Property taxes	28,765,853	22,689,262	6,076,591
Other general revenues	4,964,441	4,787,825	176,616
Total Revenues	122,373,277	120,916,228	1,457,049
Expenses			
Instruction-related	83,481,048	77,262,393	6,218,655
Pupil services	11,537,356	10,834,637	702,719
Administration	15,888,371	7,286,685	8,601,686
Plant services	10,113,109	9,444,831	668,278
All other activities	11,621,253	14,466,202	(2,844,949)
Total Expenses	132,641,137	119,294,748	13,346,389
Increase (decrease) in net position	\$ (10,267,860)	\$ 1,621,480	\$ (11,889,340)

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 \$57.0 million, which is below last year's ending fund balance of \$74.6 million.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2016	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2017
General Fund	\$ 30,965,771	\$ 106,570,488	\$ 114,167,340	\$ (72,873)	\$ 23,296,046
Child Development Fund	66,720	2,395,877	2,454,786	-	7,811
Cafeteria Fund	238,868	2,788,387	2,708,436	-	318,819
Special Reserve Fund (Postemployment Benefits)	-	771	-	150,000	150,771
Building Fund	30,932,457	284,288	10,611,590	-	20,605,155
Capital Facilities Fund	1,990,819	376,804	388,828	-	1,978,795
Special Reserve Fund (Capital Outlay)	487,521	4,436	173,676	-	318,281
Capital Outlay Fund for Blended Component Units	3,115,072	838,948	697,758	-	3,256,262
Bond Interest and Redemption Fund	6,763,662	8,774,237	8,713,169	242,139	7,066,869
	\$ 74,560,890	\$ 122,034,236	\$ 139,915,583	\$ 319,266	\$ 56,998,809

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by \$13.0 million, the actual results for the year show that expenditures exceeded revenues by \$7.6 million. Actual revenues were \$2.85 million more than anticipated, and expenditures were \$2.56 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2017, that will be carried over into the 2017-18 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the District had invested \$18.8 million in new capital assets, related to the improvement of sites. (More detailed information about capital assets can be found in Note 6 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

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
Land	\$ 1,711,208	\$ 1,711,208	\$ -
Improvement of sites	62,189,584	21,003,555	41,186,029
Buildings	76,511,243	80,947,460	(4,436,217)
Equipment	4,036,701	3,489,288	547,413
Construction in progress	14,674,623	42,337,852	(27,663,229)
Total	\$ 159,123,359	\$ 149,489,363	\$ 9,633,996

Long-Term Debt

At year-end the District had \$162.1 million in general obligation bonds, certificates of participation, CREBs, capital leases, compensated absences, early retirement incentives, and other postemployment benefits - a decrease of 0.1% from last year - as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2017	2016	
General obligation bonds	\$ 135,263,559	\$ 136,813,132	\$ (1,549,573)
Certificates of participation	1,134,257	1,565,062	(430,805)
Clean renewable energy bonds	13,307,000	13,307,000	-
Capital lease obligations	322,283	372,891	(50,608)
Compensated absences	1,511,027	1,353,734	157,293
Early retirement incentives	1,800,527	1,005,035	795,492
Other postemployment benefits	8,713,264	7,787,392	925,872
Total	\$ 162,051,917	\$ 162,204,246	\$ (152,329)

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the 2017-18 *Budget Act* and other budget-related bills on June 27, 2017.

Proposition 98

Overview

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. In this section, we provide an overview of Proposition 98 changes under the enacted budget package.

Proposition 98 Establishes Minimum Spending Level

Proposition 98 establishes a minimum spending requirement 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 attendance. The state can spend at the minimum guarantee or any level above it. Spending above the minimum guarantee one year typically becomes part of the base for calculating the minimum guarantee the next year. 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 is weak relative to per capita personal income and is paid when General Fund revenue is stronger.

2015-16 and 2016-17 Minimum Guarantees Down but Total Spending Up Slightly

The 2015-16 minimum guarantee has decreased \$379 million due to lower-than-expected General Fund revenue. Proposition 98 spending that year, however, has increased \$53 million due to various minor adjustments involving the Local Control Funding Formula (LCFF) and community college apportionments. The 2016-17 minimum guarantee has decreased \$558 million, again due to lower estimates of General Fund revenue. Proposition 98 spending that year has decreased by \$484 million, but total spending, including a settle-up payment of \$514 million, is up slightly (\$29 million) from the June 2016 level. The settle-up payment allows the state to cover some 2016-17 LCFF costs using funds set aside for Proposition 2 (2014) debt payments. In both 2015-16 and 2016-17, Proposition 98 spending is above the calculated minimum guarantees.

2017-18 Spending Up \$3.1 Billion Over Revised 2016-17 Level

In 2017-18, total spending across all segments is \$74.5 billion, an increase of \$3.1 billion (4.4 percent) from the revised 2016-17 level. For 2017-18, the state funds at the estimate of the minimum guarantee. This estimate builds upon the higher levels of spending provided in 2015-16 and 2016-17. (Had the state not funded above the guarantee in those two years, the 2017-18 guarantee would have been \$542 million lower.) Test 2 is the operative test in 2017-18, with the change in the guarantee attributable to a 3.7 percent increase in per capita personal income and a 0.05 percent decline in K-12 attendance. The increase in the guarantee also reflects a maintenance factor payment of \$536 million. Under the administration's estimates, the state would end 2017-18 with an outstanding maintenance factor obligation of \$900 million.

About One-Third of Increase Covered With Higher Property Tax Revenue

Of the total Proposition 98 spending provided in 2017-18, \$52.6 billion is state General Fund and \$21.9 billion is local property tax revenue. From 2016-17 to 2017-18, state General Fund increases \$2.1 billion (accounting for about two-thirds of the \$3.1 billion increase in spending) and property tax revenue increases by \$1 billion. The primary factor explaining the growth in property tax revenue is the projected 5.3 percent growth in assessed property values, which is similar to the average growth rate over the past 20 years. Regarding local revenue associated with the dissolution of redevelopment agencies, the budget plan assumes a net increase of \$31 million.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Overview (continued)

About One-Third of Increase Covered With Higher Property Tax Revenue (continued)

This consists of a \$131 million increase in the ongoing revenue shifted to schools and community colleges, offset by a \$100 million decrease in revenue from the sale of assets formerly owned by redevelopment agencies.

Spending Package Reduces Outstanding Settle-Up Obligation by \$603 Million

The budget plan includes a \$603 million settle-up payment related to meeting the 2009-10 minimum guarantee. This payment reduces the state's outstanding settle-up obligation from slightly above \$1 billion to \$440 million. Of the \$603 million provided, the budget plan allocates \$514 million for covering 2016-17 LCFF costs, \$86 million for the community college guided pathways initiative, and \$3 million for the Career Technical Education Incentive Grant program. The state budget package scores all of the settle-up spending as a Proposition 2 debt payment.

K-12 Education

\$64.7 Billion Proposition 98 Funding for K-12 Education in 2017-18

The budgeted 2017-18 level is \$2.7 billion (4.3 percent) more than revised 2016-17 level and \$2.2 billion (3.6 percent) more than the *2016-17 Budget Act* level. The budget increases funding per student by \$450 (4.3 percent) over the *2016-17 Budget Act* level, bringing Proposition 98 funding per student up to \$10,863.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$2.4 billion in augmentations for K-12 education. Of these augmentations, \$1.5 billion are ongoing increases and \$933 million are one-time initiatives. In addition to these changes, the budget package includes \$328 million in one-time initiatives funded from other sources. (Of this amount, \$325 million is from Proposition 98 reversion dollars and \$3 million is from a settle-up payment. Of the reversion dollars, \$114 million is for a fund swap primarily relating to special education.) The budget also authorizes \$593 million from Proposition 51 (2016) general obligation bond proceeds for school facilities.

General Purpose Funding

Accelerates Implementation of LCFF for School Districts and Charter Schools

The budget provides an additional \$1.4 billion ongoing Proposition 98 funding for this purpose, bringing total LCFF funding for school districts and charter schools to \$57.4 billion, a 2.7% increase over the revised 2016-17 level. The administration estimates this funding will result in the LCFF-target level being 97 percent-funded. School districts and charter schools may use LCFF monies for any educational purpose.

Other Changes

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely

The budget provides \$423 million Proposition 98 funding for energy-efficiency projects at schools and community colleges. This reflects the fifth and final year of Proposition 39 (2012) funding. Trailer legislation, however, extends the date for schools to use this funding by one year, to June 30, 2019, and sets rules for how any remaining uncommitted funds are to be used. The first \$75 million in remaining funds is earmarked for school districts and COEs to replace or retrofit school buses.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2017

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Other Changes (continued)

Specifies Use of Remaining Proposition 39 Funds and Extends Energy-Efficiency Programs Indefinitely (continued)

Priority is given to LEAs having the oldest buses, serving disadvantaged communities, or serving high shares of low-income students. The next \$100 million is earmarked for a competitive grant program to provide K-12 LEAs with low- and no-interest loans for energy projects. Any funding still remaining is to be distributed as grants to K-12 LEAs according to Proposition 39 rules. The trailer legislation also extends the Proposition 39 energy-efficiency programs for K-12 and CCC LEAs beginning in 2018-19, contingent upon funds being made available through the annual budget act or other statute.

Augments After School Education and Safety (ASES) Program

Proposition 49, passed by the voters in 2002, requires the state to provide \$550 million in Proposition 98 funds annually for the ASES program. Since Proposition 49 was enacted, ASES providers have received \$7.50 per child per day. The budget increases ASES funding by \$50 million (9%)—bringing total funding to \$600 million. The augmentation will increase the per-child per-day rate.

School Facilities

Provides First Installment of Proposition 51 Bond Funding for School Facilities

Passed by the voters in November 2016, Proposition 51 authorizes the state to sell \$9 billion in general obligation bonds—\$7 billion for schools and \$2 billion for community colleges. The state plans to issue \$593 million of these bonds for K-12 facility projects in 2017-18. This would fully fund the state's list of \$368 million in already approved facility projects, as well as \$225 million in additional projects.

Establishes New Audit Rules

Trailer legislation shifts audit responsibilities for state-funded school facility projects from the Office of Public School Construction to local independent auditors. Moving forward, the local auditors are to review facility expenditures to ensure that they comply with the rules of the state's School Facilities Program. In June 2017, the State Allocation Board also enacted a regulatory change requiring districts to sign grant agreements prior to receiving state funding that specify allowable project expenditures.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2017-18 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, 2017

ASSETS	Total Governmental Activities
Cash	\$ 58,999,375
Investments	970,580
Accounts receivable	4,481,919
Inventories	96,012
Non-depreciable assets	16,385,831
Depreciable assets	223,343,210
Less accumulated depreciation	<u>(80,605,682)</u>
Total assets	<u>223,671,245</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	21,706,720
Deferred amounts on refunding	<u>3,981,280</u>
Total deferred outflows of resources	<u>25,688,000</u>
LIABILITIES	
Accounts payable	9,392,739
Unearned revenue	137,965
Long-term liabilities:	
Due or payable within one year	5,807,948
Due or payable after one year	156,243,969
Net pension liability	<u>96,492,974</u>
Total liabilities	<u>268,075,595</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources - pensions	<u>4,828,240</u>
NET POSITION	
Net investment in capital assets	34,947,024
Restricted for:	
Capital projects	2,297,076
Debt service	7,066,869
Categorical programs	2,848,458
Unrestricted	<u>(70,704,017)</u>
Total net position	<u>\$ (23,544,590)</u>

BONITA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instructional services:				
Instruction	\$ 71,848,236	\$ 27,992	\$ 8,195,750	\$ (63,624,494)
Instruction-related services:				
Supervision of instruction	3,699,315	2,639	1,237,224	(2,459,452)
Instructional library, media and technology	1,023,196	1	1,933	(1,021,262)
School site administration	6,910,301	-	144,494	(6,765,807)
Pupil support services:				
Home-to-school transportation	1,977,190	1,240	266,656	(1,709,294)
Food services	2,616,292	936,513	1,736,922	57,143
All other pupil services	6,943,874	2,561	2,253,244	(4,688,069)
General administration services:				
Data processing services	2,446,400	-	-	(2,446,400)
Other general administration	13,441,971	2,026	702,837	(12,737,108)
Plant services	10,113,109	7	940,802	(9,172,300)
Ancillary services	1,494,471	1	3,871	(1,490,599)
Community services	2,163,533	-	457	(2,163,076)
Interest on long-term debt	6,600,523	-	-	(6,600,523)
Other outgo	1,362,726	1,992	437,475	(923,259)
Total Governmental Activities	<u>\$ 132,641,137</u>	<u>\$ 974,972</u>	<u>\$ 15,921,665</u>	<u>(115,744,500)</u>
General Revenues:				
				28,765,853
				71,746,346
				372,906
				77,065
				<u>4,514,470</u>
				<u>105,476,640</u>
				(10,267,860)
				<u>(13,276,730)</u>
				<u>\$ (23,544,590)</u>

BONITA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 24,782,466	\$ 21,265,783	\$ 7,066,869	\$ 5,884,257	\$ 58,999,375
Investments	970,580	-	-	-	970,580
Accounts receivable	3,889,410	121,277	-	298,420	4,309,107
Inventories	43,484	-	-	52,528	96,012
Total Assets	<u>\$ 29,685,940</u>	<u>\$ 21,387,060</u>	<u>\$ 7,066,869</u>	<u>\$ 6,235,205</u>	<u>\$ 64,375,074</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 6,239,123	\$ 781,905	\$ -	\$ 217,272	\$ 7,238,300
Unearned revenue	-	-	-	137,965	137,965
Total Liabilities	<u>6,239,123</u>	<u>781,905</u>	<u>-</u>	<u>355,237</u>	<u>7,376,265</u>
Fund Balances					
Nonspendable	133,484	-	-	52,528	186,012
Restricted	2,537,474	20,605,155	7,066,869	5,811,795	36,021,293
Assigned	7,195,391	-	-	15,645	7,211,036
Unassigned	<u>13,580,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,580,468</u>
Total Fund Balances	<u>23,446,817</u>	<u>20,605,155</u>	<u>7,066,869</u>	<u>5,879,968</u>	<u>56,998,809</u>
Total Liabilities and Fund Balances	<u>\$ 29,685,940</u>	<u>\$ 21,387,060</u>	<u>\$ 7,066,869</u>	<u>\$ 6,235,205</u>	<u>\$ 64,375,074</u>

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2017

Total fund balances - governmental funds \$ 56,998,809

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:	239,729,041	
Accumulated depreciation:	<u>(80,605,682)</u>	
Net:		159,123,359

In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were: 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: 3,981,280

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: (2,154,439)

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	135,263,559	
Certificates of participation	1,134,257	
Capital leases	322,283	
Compensated absences	1,511,027	
Early retirement incentive	1,800,527	
CREBs	13,307,000	
Other postemployment benefits	<u>8,713,264</u>	(162,051,917)

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. (96,492,974)

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	21,706,720	
Deferred inflows	<u>(4,828,240)</u>	

Total net position - governmental activities \$ (23,544,590)

BONITA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 82,607,692	\$ -	\$ -	\$ -	\$ 82,607,692
Federal sources	3,318,056	-	986,983	1,737,249	6,042,288
Other state sources	9,635,744	-	66,233	123,928	9,825,905
Other local sources	11,009,767	284,288	7,721,021	4,543,275	23,558,351
Total Revenues	106,571,259	284,288	8,774,237	6,404,452	122,034,236
EXPENDITURES					
Current:					
Instruction	62,954,122	-	-	-	62,954,122
Instruction-Related Services:					
Supervision of instruction	3,500,381	-	-	102,168	3,602,549
Instructional library, media and technology	957,319	-	-	-	957,319
School site administration	6,659,749	-	-	-	6,659,749
Pupil Support Services:					
Home-to-school transportation	1,850,833	-	-	-	1,850,833
Food services	387	-	-	2,534,932	2,535,319
All other pupil services	6,694,128	-	-	7,610	6,701,738
Ancillary services	1,464,083	-	-	-	1,464,083
Community services	116,572	-	-	1,958,518	2,075,090
General Administration Services:					
Data processing services	2,085,447	-	-	-	2,085,447
Other general administration	4,830,037	-	-	4,370	4,834,407
Plant services	8,593,835	434	-	1,033,465	9,627,734
Transfers of indirect costs	(184,082)	-	-	184,082	-
Capital Outlay	12,455,850	10,611,156	-	595,476	23,662,482
Intergovernmental Transfers	1,120,587	-	-	-	1,120,587
Debt Service:					
Issuance costs	1,996	-	242,139	-	244,135
Principal	324,316	-	2,455,000	2,633	2,781,949
Interest	741,780	-	6,016,030	230	6,758,040
Total Expenditures	114,167,340	10,611,590	8,713,169	6,423,484	139,915,583
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,596,081)	(10,327,302)	61,068	(19,032)	(17,881,347)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	77,127	-	-	-	77,127
Proceeds from refunding bonds	-	-	24,060,000	-	24,060,000
Premiums from issuance of debt	-	-	2,520,332	-	2,520,332
Transfer to escrow agent for defeased debt	-	-	(26,338,193)	-	(26,338,193)
Total Other Financing Sources and Uses	77,127	-	242,139	-	319,266
Net Change in Fund Balances	(7,518,954)	(10,327,302)	303,207	(19,032)	(17,562,081)
Fund Balances, July 1, 2016	30,965,771	30,932,457	6,763,662	5,899,000	74,560,890
Fund Balances, June 30, 2017	\$ 23,446,817	\$ 20,605,155	\$ 7,066,869	\$ 5,879,968	\$ 56,998,809

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, 2017

Total net change in fund balances - governmental funds \$ (17,562,081)

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	18,823,844	
Depreciation expense	<u>(9,177,018)</u>	
Net:		9,646,826

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. 27,381,949

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: (26,657,459)

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: 714,290

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: (5,509)

In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The difference between current and prior year receivables is: (242,141)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposals of capital assets and the resulting gain or loss is: (12,830)

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: 1,312,005

In governmental funds, other postemployment benefits (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (925,872)

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: 119,060

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: (952,785)

In government funds, pension costs are recognized when employer contributions are made. in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (3,083,313)

Change in net position of governmental activities \$ (10,267,860)

BONITA UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2017

	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
ASSETS			
Cash	\$ 570,939	\$ 698,519	\$ 1,269,458
Inventories - supplies and materials	-	33,622	33,622
Total assets	<u>\$ 570,939</u>	<u>\$ 732,141</u>	<u>\$ 1,303,080</u>
LIABILITIES			
Due to regulatory agencies	\$ 570,939	\$ -	\$ 570,939
Due to student groups	-	732,141	732,141
Total liabilities	<u>\$ 570,939</u>	<u>\$ 732,141</u>	<u>\$ 1,303,080</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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

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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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. The District has two items that qualify for reporting in this category. The first item is related to its pension plans as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. That item is to recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

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. 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.

8. 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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances (continued)

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.

9. 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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2016-17 fiscal year, the following GASB Pronouncements became effective:

1. *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (Issued 06/15)*

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (Issued 06/15)*

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

3. Statement No. 77, *Tax Abatement Disclosures (Issued 08/15)*

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

4. Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans (Issued 12/15)*

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

5. Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 (Issued 01/16)*

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

6. Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 (Issued 03/16)

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2017, are reported at fair value and consisted of the following:

	<u>Rating</u>	<u>Governmental Activities/Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:			
Cash in County Treasury		\$ 58,883,722	\$ 570,939
Deposits:			
Cash on hand and in banks		25,653	698,519
Cash in revolving fund		90,000	-
Cash with fiscal agent		-	-
Total deposits		<u>115,653</u>	<u>698,519</u>
Total cash		<u>\$ 58,999,375</u>	<u>\$ 1,269,458</u>
Investments:			
U.S. Bank First American Treasury Obligations	AA	<u>\$ 970,580</u>	

Investment security ratings reported as of June 30, 2017, 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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (continued)

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2017, 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, 2017, \$108,834 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, 2017, consist of the following:

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

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2017, 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, 2017, 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%

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government:				
Categorical aid programs	\$ 1,930,789	\$ -	\$ 255,082	\$ 2,185,871
State Government:				
Lottery	411,795	-	-	411,795
Categorical aid programs	992,097	-	15,846	1,007,943
Local:				
California Clean Energy	177,500	-	-	177,500
All other local sources	377,229	121,277	27,492	525,998
Total	\$ 3,889,410	\$ 121,277	\$ 298,420	\$ 4,309,107

NOTE 4 – INTERFUND ACTIVITIES

During the fiscal year, the District made a transfer of \$150,000 from the General Fund to the Special Reserve Fund for Postemployment Benefits. Because these two funds are combined for reporting purposes in these financial statements, all intra-fund activity between these funds has been eliminated.

NOTE 5 – FUND BALANCES

At June 30, 2017, 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	43,484	-	-	52,528	96,012
Total Nonspendable	133,484	-	-	52,528	186,012
Restricted:					
Categorical programs	2,537,474	-	-	258,457	2,795,931
Capital projects	-	20,605,155	-	5,553,338	26,158,493
Debt service	-	-	7,066,869	-	7,066,869
Total Restricted	2,537,474	20,605,155	7,066,869	5,811,795	36,021,293
Assigned:					
School site carryovers	559,620	-	-	-	559,620
Textbooks	1,000,000	-	-	-	1,000,000
Technology	1,500,000	-	-	-	1,500,000
SELPA Revenue Adjustment	500,000	-	-	-	500,000
E-Rate Match	485,000	-	-	-	485,000
Potential Future H&W Increases	3,000,000	-	-	-	3,000,000
Child development program	-	-	-	7,811	7,811
Postemployment benefits	150,771	-	-	-	150,771
Cafeteria program	-	-	-	7,834	7,834
Total Assigned	7,195,391	-	-	15,645	7,211,036
Unassigned:					
Reserve for economic uncertainties	3,319,665	-	-	-	3,319,665
Remaining unassigned balances	10,260,803	-	-	-	10,260,803
Total Unassigned	13,580,468	-	-	-	13,580,468
Total	\$ 23,446,817	\$ 20,605,155	\$ 7,066,869	\$ 5,879,968	\$ 56,998,809

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2016	Additions	Retirements	Balance, June 30, 2017
Capital assets not being depreciated:				
Land	\$ 1,711,208	\$ -	\$ -	\$ 1,711,208
Construction in progress	42,337,852	21,971,533	49,634,762	14,674,623
Total capital assets not being depreciated	<u>44,049,060</u>	<u>21,971,533</u>	<u>49,634,762</u>	<u>16,385,831</u>
Capital assets being depreciated:				
Improvement of sites	28,527,760	44,732,663	-	73,260,423
Buildings	137,238,992	333,385	-	137,572,377
Equipment	11,259,911	1,421,025	170,526	12,510,410
Total capital assets being depreciated	<u>177,026,663</u>	<u>46,487,073</u>	<u>170,526</u>	<u>223,343,210</u>
Accumulated depreciation for:				
Improvement of sites	(7,524,205)	(3,546,634)	-	(11,070,839)
Buildings	(56,291,532)	(4,769,602)	-	(61,061,134)
Equipment	(7,770,623)	(860,782)	(157,696)	(8,473,709)
Total accumulated depreciation	<u>(71,586,360)</u>	<u>(9,177,018)</u>	<u>(157,696)</u>	<u>(80,605,682)</u>
Total capital assets being depreciated, net	<u>105,440,303</u>	<u>37,310,055</u>	<u>12,830</u>	<u>142,737,528</u>
Governmental activity capital assets, net	<u>\$ 149,489,363</u>	<u>\$ 59,281,588</u>	<u>\$ 49,647,592</u>	<u>\$ 159,123,359</u>

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

Instruction	\$ 6,252,224
School Site Administration	9,836
Home-to-School Transportation	176,972
Food Services	35,103
All Other Pupil Services	381
Ancillary Services	823
Community Services	4,898
All Other General Administration	2,184,831
Centralized Data Processing	300,024
Plant Services	<u>211,926</u>
Total	<u>\$ 9,177,018</u>

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2017, were as follows:

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 128,484,790	\$ 24,060,000	\$ 27,055,000	\$ 125,489,790	\$ 2,655,000
Accreted interest	1,148,900	237,100	-	1,386,000	-
Unamortized issuance premium	7,179,442	2,520,332	1,312,005	8,387,769	554,685
Total - General Obligation Bonds	136,813,132	26,817,432	28,367,005	135,263,559	3,209,685
Certificates of Participation:					
Principal payments	730,124	-	199,214	530,910	187,438
Accreted interest	834,938	415,532	647,123	603,347	658,597
Total - COPs	1,565,062	415,532	846,337	1,134,257	846,035
Clean renewal energy bonds	13,307,000	-	-	13,307,000	554,000
Capital leases	372,891	77,127	127,735	322,283	131,152
Compensated absences	1,353,734	157,293	-	1,511,027	-
Early retirement incentive	1,005,035	1,092,217	296,725	1,800,527	1,067,076
Other postemployment benefits (Note 12)	7,787,392	925,872	-	8,713,264	-
Totals	\$ 162,204,246	\$ 29,485,473	\$ 29,637,802	\$ 162,051,917	\$ 5,807,948

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

A. General Obligation Bonds

Measure "C"

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

Measure "AB"

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

A portion of the Measure AB bonds is designated 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, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Measure "AB" (continued)

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

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

2016 General Obligation Refunding Bonds, Series B

On August 11, 2016, the District issued \$24,060,000 of General Obligation Refunding Bonds, Series B. The bonds bear fixed interest rates ranging between 2.0% and 4.0% with annual maturities from August 1, 2022 through August 1, 2034. The net proceeds of \$26,338,193 (after premiums of \$2,520,332 and issuance costs of \$242,139) were used to advance refund the District's outstanding Election of 2008 General Obligation Bonds, Series A and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability.

The refunding decreased the District's total debt service payments by \$3,643,580. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$2,932,781.

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, 2017, \$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, 2017, deferred amounts on refunding were \$3,981,280.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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, 2016	Additions	Deductions	Balance, June 30, 2017
Election of 2004 (Measure C)								
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 224,790	\$ -	\$ -	\$ 224,790
2004 B	12/20/2006	8/1/2031	3.625%-5.0%	26,360,000	350,000	-	350,000	-
Election of 2008 (Measure AB)								
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	2,340,000	-	400,000	1,940,000
2008 A-1	9/23/2009	8/1/2034	6.0%-6.93%	24,600,000	24,600,000	-	24,600,000	-
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	8,015,000	-	645,000	7,370,000
2008 C	3/27/2014	8/1/2038	4.0%-5.0%	27,300,000	27,300,000	-	-	27,300,000
Refunding Bonds								
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	21,430,000	-	955,000	20,475,000
2014 Ref.	10/2/2014	8/1/2031	2.0%-5.0%	25,255,000	24,910,000	-	-	24,910,000
2016 Ref.	3/1/2016	8/1/2037	2.0%-5.0%	19,315,000	19,315,000	-	105,000	19,210,000
2016 Ref. B	8/11/2016	8/1/2034	2.0%-4.0%	24,060,000	-	24,060,000	-	24,060,000
				<u>\$ 214,274,790</u>	<u>\$ 128,484,790</u>	<u>\$ 24,060,000</u>	<u>\$ 27,055,000</u>	<u>\$ 125,489,790</u>

Accreted Interest	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
2004 A	\$ 235,194	\$ 29,484	\$ -	\$ 264,678
2008 A	913,706	207,616	-	1,121,322
	<u>\$ 1,148,900</u>	<u>\$ 237,100</u>	<u>\$ -</u>	<u>\$ 1,386,000</u>

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2017, were as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	\$ 2,655,000	\$ 5,140,104	\$ 7,795,104
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
2022-2027	26,800,000	20,037,058	46,837,058
2027-2032	40,759,790	13,441,376	54,201,166
2032-2037	28,385,000	6,231,797	34,616,797
2037-2039	14,960,000	739,766	15,699,766
	<u>\$ 125,489,790</u>	<u>\$ 67,405,667</u>	<u>\$ 192,895,457</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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, 2017, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$530,910, in addition to \$603,347 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2017, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$ 187,438	\$ 658,597	\$ 846,035
2018-2019	176,643	670,455	847,098
2019-2020	166,829	683,171	850,000
Total	<u>\$ 530,910</u>	<u>\$ 2,012,223</u>	<u>\$ 2,543,133</u>

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, 2017, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$ 554,000	\$ 497,212	\$ 1,051,212
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
2022-2027	4,007,000	1,541,382	5,548,382
2027-2032	5,051,000	731,005	5,782,005
2032-2033	1,153,000	31,416	1,184,416
Total	<u>\$ 13,307,000</u>	<u>\$ 4,498,988</u>	<u>\$ 17,805,988</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

D. Capital Leases

The District has entered into lease agreements to obtain copiers valued at \$676,834 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-2018	\$ 131,152	\$ 9,863	\$ 141,015
2018-2019	91,813	4,521	96,334
2019-2020	61,112	1,894	63,006
2020-2021	35,010	537	35,547
2021-2022	<u>3,196</u>	<u>21</u>	<u>3,217</u>
Total	<u>\$ 322,283</u>	<u>\$ 16,836</u>	<u>\$ 339,119</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, 114 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 \$296,725 were incurred for retiree incentives.

The estimated future liability at June 30, 2017, is \$1,800,527. This was estimated by multiplying the number of retirees receiving benefits by the annual payment for each retiree and by the number of years remaining of eligibility.

NOTE 8 – 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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 9 – 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, 2017, 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 2017, 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 2017, 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 10 – 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, 2017, the District had commitments with respect to unfinished capital projects of approximately \$5.5 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, 2017

NOTE 11 – 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 California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4% at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment.

There is a 2% simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2% increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1% of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0% at age 52 for members under *2% at 62*, increasing to a maximum of 2.5% at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 11 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013, must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under *2% at 60* were required to contribute 10.25% and plan members under *2% at 62* were required to contribute 9.205% of their salary in 2016-17. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2016-17 was 13.888%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 5,909,535	\$ 2,128,670
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 3,675,598	\$ -

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

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 72,792,900
CalPERS	\$ 23,700,074
Total Net Pension Liability	<u>\$ 96,492,974</u>

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 11 - PENSION PLANS (continued)

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2015	0.0920%	0.1236%
Proportion - June 30, 2016	0.0900%	0.1200%
Change - Increase (Decrease)	<u>-0.0020%</u>	<u>-0.0036%</u>

For the year ended June 30, 2017, the District recognized pension expense of \$11,460,564. At June 30, 2017, 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	\$ 8,038,205	\$ -
Differences between actual and expected experience	1,019,330	(1,775,700)
Changes in assumptions	-	(712,046)
Adjustment due to differences in proportions	844,201	-
Net differences between projected and actual earnings on plan investments	<u>11,804,984</u>	<u>(2,340,494)</u>
	<u>\$ 21,706,720</u>	<u>\$ (4,828,240)</u>

The total amount of \$8,038,205 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 1,799,474
2019	1,438,568
2020	2,801,457
2021	806,988
2022	(464,920)
Thereafter	-

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate – for CalPERS (continued)

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

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

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	6.30%	5.71%
Global Debt Securities	N/A	20%	N/A	2.43%
Inflation Sensitive	4%	6%	3.80%	3.36%
Private Equity	13%	10%	9.30%	6.95%
Absolute Return/Risk Mitigating Strategies	9%	N/A	2.90%	N/A
Real Estate	13%	10%	5.20%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	12%	N/A	0.30%	N/A
Cash/Liquidity	2%	1%	-1.00%	-1.05%
	<u>100%</u>	<u>100%</u>		

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 104,765,400	\$ 35,360,643
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 72,792,900	\$ 23,700,074
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 46,238,400	\$ 13,990,356

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 11 – PENSION PLANS (continued)

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

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2017, the District reported a payable of \$524,416 and \$130,285 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2017.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	187
Active plan members*	565
Total	<u>752</u>

* As of July 1, 2016, actuarial valuation

Retirees age 55 with at least 10 years of service, who were designated as teachers or management (certificated) and enrolled in one of the CalPERS health plans at retirement will be offered a lifetime subsidy (\$128 per month in 2017) 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) from the District.

Special Arrangements for Contract Employees

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

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2016-17, the District contributed \$316,196.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$	1,347,070
Interest on net OPEB obligation		389,370
Adjustment to annual required contribution		<u>(494,372)</u>
Annual OPEB cost (expense)		1,242,068
Contributions made: Pay-as-you-go costs		<u>(316,196)</u>
Increase (decrease) in net OPEB obligation		925,872
Net OPEB obligation, beginning of year		<u>7,787,392</u>
Net OPEB obligation, end of year	\$	<u><u>8,713,264</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016-17 and the preceding two years are as follows:

Year Ended	Annual	Percentage	Net
June 30,	OPEB Cost	Contributed	OPEB
			Obligation
2017	\$ 1,242,068	25.5%	\$ 8,713,264
2016	\$ 1,106,281	13.9%	\$ 7,787,392
2015	\$ 1,118,814	16.9%	\$ 6,834,412

Funded Status and Funding Progress – OPEB Plans

As of July 1, 2016, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$12.6 million and the unfunded actuarial accrued liability (UAAL) was \$12.6 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2016
Actuarial cost method	Unit credit
Amortization method	Level dollar method
Remaining amortization period	30 years
Asset valuation	N/A
Actuarial assumptions:	
Healthcare cost trend rate	5.0%
Discount rate	5.0%

Required Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF Sources	\$ 82,991,744	\$ 84,054,938	\$ 82,607,692	\$ (1,447,246)
Federal	3,326,921	3,377,059	3,318,056	(59,003)
Other State	5,030,796	5,922,722	9,635,744	3,713,022
Other Local	9,978,517	10,364,694	11,008,996	644,302
Total Revenues	101,327,978	103,719,413	106,570,488	2,851,075
Expenditures				
Current:				
Certificated Salaries	49,357,855	48,812,146	48,003,252	808,894
Classified Salaries	14,827,106	15,572,112	15,112,325	459,787
Employee Benefits	18,724,022	18,565,160	21,467,087	(2,901,927)
Books and Supplies	4,257,572	7,054,506	4,286,006	2,768,500
Services and Other Operating Expenditures	11,232,857	11,334,800	9,987,167	1,347,633
Capital Outlay	737,600	13,576,769	13,308,902	267,867
Other Outgo	2,109,377	1,820,941	2,002,601	(181,660)
Total Expenditures	101,246,389	116,736,434	114,167,340	2,569,094
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,589	(13,017,021)	(7,596,852)	5,420,169
Other Financing Sources and Uses				
Interfund Transfers Out	-	(150,000)	(150,000)	-
Proceeds from Long-Term Debt	-	-	77,127	77,127
Total Other Financing Sources and Uses	-	(150,000)	(72,873)	77,127
Net Change in Fund Balances	81,589	(13,167,021)	(7,669,725)	5,497,296
Fund Balances, July 1, 2016	12,992,160	30,965,771	30,965,771	-
Fund Balances, June 30, 2017	\$ 13,073,749	\$ 17,798,750	\$ 23,296,046	\$ 5,497,296

* 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 Funding Progress
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ -	\$ 10,702,324	\$ 10,702,324	0.0%	\$ 46,817,107	22.9%
July 1, 2014	\$ -	\$ 10,805,523	\$ 10,805,323	0.0%	\$ 55,133,792	19.6%
July 1, 2016	\$ -	\$ 12,589,746	\$ 12,589,746	0.0%	\$ 59,168,817	21.3%

BONITA UNIFIED SCHOOL DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2017*

	Last Ten Fiscal Years*		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
CalSTRS			
District's proportion of the net pension liability	0.0900%	0.0920%	0.0890%
District's proportionate share of the net pension liability	\$ 72,792,900	\$ 61,938,080	\$ 52,008,930
State's proportionate share of the net pension liability associated with the District	41,445,801	32,758,329	31,405,553
Totals	<u>\$ 114,238,701</u>	<u>\$ 94,696,409</u>	<u>\$ 83,414,483</u>
District's covered-employee payroll	\$ 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	160.76%	142.65%	131.01%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1200%	0.1236%	0.1127%
District's proportionate share of the net pension liability	\$ 23,700,074	\$ 18,218,762	\$ 12,794,194
District's covered-employee payroll	\$ 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	164.62%	133.11%	107.45%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

* 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, 2017

Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 5,909,535	\$ 4,858,590	\$ 3,855,527
Contributions in relation to the contractually required contribution	<u>5,909,535</u>	<u>4,858,590</u>	<u>3,855,527</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 46,975,636</u>	<u>\$ 45,280,429</u>	<u>\$ 43,418,097</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 2,128,670	\$ 1,705,624	\$ 1,611,055
Contributions in relation to the contractually required contribution	<u>2,128,670</u>	<u>1,705,624</u>	<u>1,611,055</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 15,327,405</u>	<u>\$ 14,397,096</u>	<u>\$ 13,686,645</u>
Contributions as a percentage of covered-employee payroll	<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

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2017

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

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.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

There were no changes of assumptions.

BONITA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2017, 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>
Classified Salaries	\$ 2,901,927
Other Outgo	181,660

The variance in employee benefits was caused by the recording of \$3,665,553 of STRS expense for the District's on-behalf contribution from the State.

Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2017

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

BOARD OF EDUCATION

Member	Office	Term Expires
Glenn Creiman	President	December, 2020
Chuck Coyne	Vice-President	December, 2018
Patti Latourelle	Clerk	December, 2018
Diane Koach	Member	December, 2020
Jim Elliot	Member	December, 2020

DISTRICT ADMINISTRATORS

Christina Goennier, Ed.D.,
Superintendent

William Roberts IV, ¹
Assistant Superintendent, Human Resources Development

Nanette Hall, ²
Assistant Superintendent, Educational Services

Ann Sparks, ³
Assistant Superintendent, Business Services

¹ Retired. Effective July 1, 2017, this position is held by Carl Coles.

² Retired. Effective July 1, 2017, this position is held by Matthew Wien.

³ Retired. Effective July 1, 2017, this position is held by Susan Cross Hume, CPA, CIA, CGMA.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2017

	Second Period Report	Annual Report
	Certificate No. (8AD8B7D5)	Certificate No. (EAB58B1D)
Regular ADA:		
Transitional Kindergarten through Third	2,819.32	2,827.89
Fourth through Sixth	2,137.11	2,134.47
Seventh through Eighth	1,493.17	1,489.92
Ninth through Twelfth	3,373.19	3,359.47
	<hr/>	<hr/>
Total Regular ADA	9,822.79	9,811.75
	<hr/>	<hr/>
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	0.90	0.89
Fourth through Sixth	1.61	2.28
Seventh through Eighth	10.55	11.05
Ninth through Twelfth	34.64	33.68
	<hr/>	<hr/>
Total Special Education, Nonpublic, Nonsectarian Schools	47.70	47.90
	<hr/>	<hr/>
Total ADA	9,870.49	9,859.65
	<hr/> <hr/>	<hr/> <hr/>

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2017

<u>Grade Level</u>	<u>Requirement</u>	<u>2016-17 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	46,960	180	Complied
Grade 1	50,400	50,695	180	Complied
Grade 2	50,400	50,695	180	Complied
Grade 3	50,400	50,610	180	Complied
Grade 4	54,000	56,725	180	Complied
Grade 5	54,000	56,725	180	Complied
Grade 6	54,000	58,522	180	Complied
Grade 7	54,000	58,522	180	Complied
Grade 8	54,000	58,522	180	Complied
Grade 9	64,800	65,190	180	Complied
Grade 10	64,800	65,190	180	Complied
Grade 11	64,800	65,190	180	Complied
Grade 12	64,800	65,190	180	Complied

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2017

General Fund ³	(Budget) ²			
	2018	2017	2016	2015
Revenues and other financing sources	\$ 100,952,760	\$ 106,647,615	\$ 117,104,434	\$ 90,893,691
Expenditures	104,662,797	114,317,340	97,356,255	93,276,307
Change in fund balance (deficit)	(3,710,037)	(7,669,725)	19,748,179	(2,382,616)
Ending fund balance	\$ 19,586,009	\$ 23,296,046	\$ 30,965,771	\$ 11,217,592
Available Reserves ¹	\$ 16,159,811	\$ 13,580,468	\$ 5,747,820	\$ 7,457,730
Available Reserves as a percentage of Total Outgo	15.4%	11.9%	5.9%	8.0%
Total Long-Term Debt	\$ 252,337,327	\$ 258,544,891	\$ 242,361,088	\$ 212,764,076
Average Daily Attendance at P-2	9,884	9,870	9,863	9,803

The General Fund balance has increased by \$12,078,454 over the past two years. The fiscal year 2017-18 adopted budget projects a decrease of \$3,710,037. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term debt has increased by \$45,780,815 over the past two years.

Average daily attendance has increased by 67 over the past two years. An increase of 14 ADA is anticipated during fiscal year 2017-18.

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

² As of September, 2017.

³ 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, 2017*

*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, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditure	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program	10.553	13390	\$ 3,049	
Especially Needy Breakfast	10.553	13390	281,291	
National School Lunch Program	10.555	13391	1,259,119	
USDA - Donated Foods	10.555	N/A	193,791	
Subtotal Child Nutrition Cluster				\$ 1,737,250
Forest Reserve	10.665	10044		18,750
Total U.S. Department of Agriculture				1,756,000
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind Act (NCLB):				
Title I, Part A, Low-Income	84.010	14329		820,625
Title II, Part A, Supporting Effective Instruction	84.367	14341		127,937
English Language Acquisition Cluster:				
Title III, Limited English Proficient (LEP) Program	84.365	14346	7,759	
Title III, Immigrant Education Program	84.365	15146	59,946	
Subtotal English Language Acquisition Cluster				67,705
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		47,708
Workability II, Transitions Partnership Program	84.126	10006		28,733
Passed through East San Gabriel Valley SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,519,844	
Preschool Grants, Part B	84.173	13430	38,377	
Preschool Local Entitlement, Part B	84.027A	13682	117,687	
Mental Health Allocation Plan, Part B	84.027	14468	210,281	
Preschool Staff Development, Part B	84.173A	13431	375	
Supporting Inclusive Practices	84.027A	13693	54,468	
Subtotal Special Education (IDEA) Cluster				1,941,032
Total U.S. Department of Education				3,033,740
U.S. Department of Health & Human Services:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	149,781	
Medi-Cal Administrative Activities (MAA)	N/A	10060	86,938	
Subtotal Medicaid Cluster				236,719
Total U.S. Department of Health & Human Services				236,719
Total Expenditures of Federal Awards				\$ 5,026,459

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, 2017

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, 2017.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 6,042,288
Differences between Federal Revenues and Expenditures:		
Qualified School Construction Bonds - Interest Subsidy	Not applicable	(986,983)
Medi-Cal Billing Option	93.778	<u>(28,846)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,026,459</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, 2017, 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 December 1, 2017.

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.

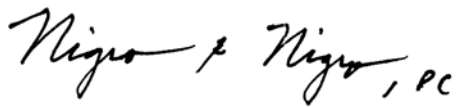
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
December 1, 2017



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 2016-17 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, 2017.

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 2016-17 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:

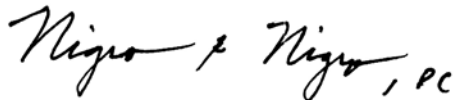
Table with 2 columns: Description, Procedures Performed. Rows include Attendance, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time, Instructional Materials, and Ratio of Administrative Employees to Teachers.

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
Mental Health Expenditures	No (see below)
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
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. We did not perform testing for Mental Health Expenditures because the District did not have any expenditures.

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, 2017.



Murrieta, California
December 1, 2017

**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, 2017. 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, 2017.

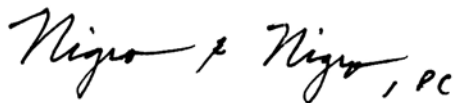
Report on Internal Control Over Compliance

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.

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

Murrieta, California
December 1, 2017

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, 2017

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>84.027, 84.173</u> <u>Special Education Cluster (IDEA)</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, 2017

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 2016-17.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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 2016-17.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

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 2016-17.

BONITA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2017

There were no findings or questioned costs in 2015-16.

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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, 2017, 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 December 1, 2017, on the financial statements of Bonita Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our testing of cash disbursements at **Bonita High**, we found 3 of 25 disbursements were missing either an invoice or complete receipts.

Recommendation: Issuing payment for expenditures without proper supporting documentation can provide the opportunity for the misappropriation of student funds. We advise that the District follow-up on the noted exceptions to ensure that the disbursements are not fraudulent transactions. In addition, we recommend that the site require all appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

Observation: Receipt of goods was not documented at **Bonita High** for 7 of the 25 payments sampled. At **Lone Hill Middle** an expense for \$23.24 was shipped to a personal address.

Recommendation: We recommend that after verifying the contents received that an "O.K. to pay" or "received" marking be indicated and retained. This is important to do, as it ensures payment is not being made for items received incorrectly or not at all. All goods or services purchased with ASB funds should be received by an individual other than the original purchaser and shipped directly to the school site.

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

Murrieta, California
December 1, 2017