

**MEASURES "C" AND "AB"  
GENERAL OBLIGATION BOND  
BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2018**

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2018*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

The Board of Education and the  
Citizens' Bond Oversight Committee  
Bonita Unified School District  
San Dimas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District as of June 30, 2018, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District, as of June 30, 2018, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measures "C" and "AB" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Bonita Unified School District, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

The supplementary information listed in the table of contents as the Detail Schedule of Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
October 18, 2018

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Balance Sheet  
June 30, 2018*

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	<u>Measure C</u>	<u>Measure AB</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 10,352,027	\$ 4,449,378	\$ 14,801,405
Accounts receivable	100	89,454	89,554
<b>Total assets</b>	<u>\$ 10,352,127</u>	<u>\$ 4,538,832</u>	<u>\$ 14,890,959</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	\$ 25,345	\$ 214,743	\$ 240,088
<b>Fund Balance</b>			
Restricted for capital projects	<u>10,326,782</u>	<u>4,324,089</u>	<u>14,650,871</u>
<b>Total liabilities and fund balance</b>	<u>\$ 10,352,127</u>	<u>\$ 4,538,832</u>	<u>\$ 14,890,959</u>

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2018*

	<u>Measure C</u>	<u>Measure AB</u>	<u>Total</u>
<b>REVENUES</b>			
Interest earnings	\$ 163,236	\$ 116,569	\$ 279,805
Total Revenues	<u>163,236</u>	<u>116,569</u>	<u>279,805</u>
<b>EXPENDITURES</b>			
Current:			
Plant Services			
Materials and supplies	-	64,441	64,441
Services and other operating expenditures	296,262	72,775	369,037
Capital outlay	<u>164,121</u>	<u>5,636,490</u>	<u>5,800,611</u>
Total Expenditures	<u>460,383</u>	<u>5,773,706</u>	<u>6,234,089</u>
Net Change in Fund Balance	(297,147)	(5,657,137)	(5,954,284)
Fund Balance, July 1, 2017	<u>10,623,929</u>	<u>9,981,226</u>	<u>20,605,155</u>
Fund Balance, June 30, 2018	<u>\$ 10,326,782</u>	<u>\$ 4,324,089</u>	<u>\$ 14,650,871</u>

## **MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements  
June 30, 2018*

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### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

On March 2, 2004, the District voters authorized \$56,360,000 in General Obligation Bonds (Measure "C") for the purpose of financing the renovation, construction, and acquisition of classrooms and school facilities throughout the District and pay certain costs of issuance of the bonds. The measure, which required a minimum 55% vote for passage, was approved by 62% of the vote. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public on the expenditures of Bond proceeds, reviewing expenditure reports to ensure that Bond proceeds are expended only for purposes set forth in Measure "C," and ensuring compliance with conditions of Measure "C."

On November 4, 2008, the District voters authorized \$83,560,000 in General Obligation Bonds (Measure "AB") for the purpose of financing the renovation and modernization of school facilities and to pay certain costs of issuance associated with the bonds. The measure required a minimum 55% vote for passage and was approved by 60.8% of the vote.

The bond proceeds and uses are accounted for in the District's Building Fund. The activities of Measure "C" and "AB" are separated by resource codes within the Building Fund.

#### **B. Basis of Accounting**

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

#### **C. Budgets and Budgetary Accounting**

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

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

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

#### **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.



**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements  
June 30, 2018*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Fund Balances**

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

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

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

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

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

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

**F. Use of Estimates**

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

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements  
June 30, 2018*

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**NOTE 2 – CASH**

**Pooled Funds**

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Fair Value Measurements**

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

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

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

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

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

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements  
June 30, 2018*

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018, in the amount of \$89,554 represent the amount due from the County for interest earnings for the quarter ended June 30, 2018.

**NOTE 4 – MEASURES "C" AND "AB" 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 percent 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 percent 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 construct new school facilities, expand an existing gymnasium and to pay costs of issuance associated with the bonds.

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

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

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2018*

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**NOTE 4 - MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS (continued)**

**2012 Refunding Bonds**

On March 21, 2012, the District issued \$22,530,000 of General Obligation Refunding Bonds. The net proceeds of \$26,006,991 (after issuance costs and underwriter's discount of \$194,131 and original issue premium of \$3,671,122) were used to refund a portion of the District's outstanding General Obligation Bonds, Election of 2004, Series A.

**2014 Refunding Bonds**

On October 2, 2014, the District issued \$25,255,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2015, through August 1, 2031. The net proceeds of \$27,201,109 (after premiums of \$2,194,674 and issuance costs of \$248,565) were used to advance refund a portion of the District's outstanding General Obligation Bonds Series B.

**2016 Series A Refunding Bonds**

On March 1, 2016, the District issued \$19,315,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2016 through August 1, 2037. The net proceeds of \$19,658,002 (after premiums of \$573,372 and issuance costs of \$230,370) were used to advance refund the District's outstanding Election of 2008 General Obligation Bonds, Series B 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. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to \$15,692,605.

**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. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to \$24,600,000.

**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements  
June 30, 2018*

**NOTE 4 – MEASURES "C" AND "AB" GENERAL OBLIGATION BONDS (continued)**

**Summaries**

A summary of outstanding general obligation bonds that have been issued to date are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
<i>Election of 2004 (Measure C)</i>								
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 224,790	\$ -	\$ -	\$ 30,224,580
<i>Election of 2008 (Measure AB)</i>								
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	1,940,000	-	475,000	6,865,000
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	7,370,000	-	715,000	16,110,000
2008 C	3/27/2014	8/1/2038	4.0%-5.0%	27,300,000	27,300,000	-	-	54,600,000
<i>Refunding Bonds</i>								
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	20,475,000	-	1,045,000	41,960,000
2014 Ref.	10/2/2014	8/1/2031	2.0%-5.0%	25,255,000	24,910,000	-	390,000	49,775,000
2016 Ref.	3/1/2016	8/1/2037	2.0%-5.0%	19,315,000	19,210,000	-	30,000	38,495,000
2016 Ref. B	8/11/2016	8/1/2034	2.0%-4.0%	24,060,000	24,060,000	-	-	48,120,000
				<u>\$ 163,314,790</u>	<u>\$ 125,489,790</u>	<u>\$ -</u>	<u>\$ 2,655,000</u>	<u>\$ 122,834,790</u>

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

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

**NOTE 5 – CONSTRUCTION COMMITMENTS**

As of June 30, 2018, the District had commitments with respect to unfinished capital projects of approximately \$7.2 million to be paid from a combination of state and local funds.

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*Supplementary Information*

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**MEASURES "C" AND "AB" GENERAL OBLIGATION BOND BUILDING FUND OF  
BONITA UNIFIED SCHOOL DISTRICT**

*Detail Schedule of Expenditures  
For the Fiscal Year Ended June 30, 2018*

	Materials & Supplies	Services & Other Costs	Capital Outlay	Total
<b>Measure C:</b>				
<b>Modernization Projects</b>				
District Office	\$ -	\$ 285,635	\$ 5,131	\$ 290,766
Bonita High School	-	10,627	141,269	151,896
Lone Hill Middle School	-	-	17,721	17,721
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 296,262</b>	<b>\$ 164,121</b>	<b>\$ 460,383</b>
<b>Measure AB:</b>				
<b>Modernization Projects</b>				
District Office	\$ 2,905	\$ 71,807	\$ 3,056,261	\$ 3,130,973
Lone Hill Middle School	43,474	484	1,765,248	1,809,206
Ramona Middle School	18,062	484	806,851	825,397
Elementary Sites	-	-	5,028	5,028
Bonita High School	-	-	1,105	1,105
San Dimas High School	-	-	1,997	1,997
<b>Total Expenditures</b>	<b>\$ 64,441</b>	<b>\$ 72,775</b>	<b>\$ 5,636,490</b>	<b>\$ 5,773,706</b>

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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**

The Board of Education and the  
Citizens' Bond Oversight Committee  
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 Measures "C" and "AB" General Obligation Bond Building Fund of Bonita Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2018.

**Internal Control Over Financial Reporting**

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

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

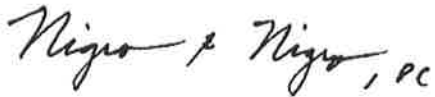
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Murrieta, California  
October 18, 2018



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Education and the  
Citizens' Bond Oversight Committee  
Bonita Unified School District  
San Dimas, California

We have examined the Bonita Unified School District's compliance with the performance requirements for the Proposition 39 Measures "C" and "AB" General Obligation Bonds for the fiscal year ended June 30, 2018, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measures "C" and "AB".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

### Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2017 to June 30, 2018. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2018, were not reviewed or included within the scope of our audit or in this report.

### **Procedures Performed**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018, for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measures "C" and "AB" with regards to the approved bond projects list. We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested approximately \$2.6 million in bond fund invoices paid, which is a combination of 2017-18 expenditures and payments on liabilities accrued as of June 30, 2018 and paid in 2018-19. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to the subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measures "C" and "AB" election documents.
- We visited various sites to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measures "C" and "AB" General Obligation Bond proceeds listed and tested above.

This report is intended for the information of the Board of Education, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.



Murrieta, California  
October 18, 2018