
**BONITA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2013**

BONITA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2013
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Bonita Unified School District
San Dimas, California

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*. 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, 2013, 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 10, budgetary comparison information on page 41, and schedule of funding progress on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

November 19, 2013

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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 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, 2013*

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 liabilities – 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.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base 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 formula 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, 2013

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2013, than it was the year before – decreasing 3.3% to \$69.1 million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2013	2012	
Current assets	\$ 66.7	\$ 86.9	\$ (20.2)
Non-current assets	4.0	4.3	(0.3)
Capital assets	135.5	121.5	14.0
Total assets	206.2	212.7	(6.5)
Current liabilities	16.1	18.0	(1.9)
Long-term liabilities	121.0	123.2	(2.2)
Total liabilities	137.1	141.2	(4.1)
Net position			
Net investment in capital assets	52.4	54.5	(2.1)
Restricted	10.0	8.3	1.7
Unrestricted	6.7	8.7	(2.0)
Total net position	\$ 69.1	\$ 71.5	\$ (2.4)

Changes in net position, governmental activities. The District's total revenues increased 0.2% to \$89.1 million. The increase is due primarily to property taxes (See Table A-2).

The total cost of all programs and services increased 0.3% to \$91.5 million. The District's expenses are predominantly related to educating and caring for students, 73.3%. The purely administrative activities of the District accounted for just 6.0% of total costs. A significant contributor to the increase in costs were due to the scheduled step and column increases and increase in statutory benefits.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2013	2012	
Total Revenues	\$ 89.1	\$ 88.9	\$ 0.2
Total Expenses	91.5	91.2	0.3
Increase (decrease) in net position	\$ (2.4)	\$ (2.3)	\$ (0.1)

BONITA UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013*

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 52.3 million, which is below last year's ending fund balance of \$70.5 million. The primary cause of the decreased fund balance is due to the ongoing costs of construction and modernization.

General Fund Budgetary Highlights

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

- Revenues – increased by \$5.1 million primarily to reflect changes in federal and state funding.
- Salaries and benefits costs – increased \$0.4 million due to increased benefits costs, and step and column increases.
- Books and supplies – increased \$0.9 million to re-budget carryover funds from the previous year.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about \$3.0 million, the actual results for the year show that revenues fell short of expenditures by roughly \$1.8 million. Actual revenues were \$0.3 million more than anticipated, but expenditures were \$0.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2013 that will be carried over into the 2013-14 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2012-13 the District invested \$19.8 million in new capital assets, including work performed on various modernization projects. Total depreciation expense for the year was roughly \$5.8 million (More detailed information about capital assets can be found in Note 6 to the financial statements).

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

	Governmental Activities (In millions)		Variance
	2013	2012	Increase (Decrease)
Land	\$ 1.7	\$ 1.7	\$ -
Improvement of sites	9.1	3.4	5.7
Buildings	94.6	91.1	3.5
Equipment	2.7	2.7	-
Construction in progress	27.4	22.6	4.8
Total	<u>\$ 135.5</u>	<u>\$ 121.5</u>	<u>\$ 14.0</u>

BONITA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$121.0 million in general obligation bonds, certificates of participation, capital leases, compensated absences, early retirement incentives, and other postemployment benefits – a decrease of 1.8% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2013	2012	(Decrease)
General obligation bonds	\$ 110.7	\$ 112.1	\$ (1.4)
Certificates of participation	3.0	3.8	(0.8)
Capital leases	0.1	-	0.1
Compensated absences	1.3	1.2	0.1
Early retirement incentive	1.1	2.3	(1.2)
Other postemployment benefits	4.8	3.8	1.0
Total	<u>\$ 121.0</u>	<u>\$ 123.2</u>	<u>\$ (2.2)</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

Budget Overview

The final budget package was signed by the Governor on June 27, 2013. Notably, aside from one action to correct a technical error in the Franchise Tax Board budget, the Governor did not use his line-item veto authority to reduce or eliminate non-Proposition 98 General Fund spending. The Governor did, however, reduce spending from other funds by \$5.6 million.

The state spending plan assumes total budget expenditures of \$138.3 billion from the General Fund and special funds, an increase of 3 percent over 2012-13. This consists of \$96.3 billion from the General Fund and Education Protection Account created by Proposition 30 (2012), as well as \$42 billion from special funds. The budget estimates that spending from federal funds in 2013-14 will total \$87.6 billion, an increase of 7.7 percent over 2012-13.

The administration's May Revision estimates of 2012-13 revenues were about \$2.3 billion higher than when the 2012-13 spending plan was adopted last year. These higher revenues result in \$2.5 billion in additional expenditures under the Proposition 98 minimum funding guarantee for K-14 education. In addition, higher expenditures in other areas contributed to the estimated 2012-13 General Fund ending balance being about \$694 million lower than was assumed in the 2012-13 spending plan. Nevertheless, under the spending plan 2012-13 would end with a \$254 million reserve, the first such year-end positive balance in the reserve since 2007-08.

The spending plan assumes General Fund and Education Protection Account revenues of \$97.1 billion and expenditures of \$96.3 billion. The resulting \$817 million operating surplus combined with the \$254 million positive ending balance for 2012-13 produce an estimated \$1.1 billion reserve for 2013-14.

BONITA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Major Spending Changes

For K-12 education, the largest 2013-14 augmentation (\$2.1 billion) is for implementing the Local Control Funding Formula (LCFF) for school districts. Other major 2013-14 K-12 augmentations include \$406 million in grants and loans for energy projects, an additional \$250 million on a one-time basis for the Common Core State Standards initiative, \$250 million on a one-time basis for a new Career Pathways program, \$50 million to augment the mandate block grant, \$32 million to implement the LCFF for county offices of education (COEs), and \$10 million to establish the California Collaborative for Educational Excellence (CCEE) to provide low-performing school districts with academic assistance.

The budget also further pays down K-12 deferrals. Additionally, the budget includes a 1.57 percent cost-of-living adjustment (COLA) for certain K-12 categorical programs. The budget includes a slight increase to reflect 0.2 percent growth in K-12 ADA. The budget also provides a \$26 million (5 percent) increase to the part-day/part-year State Preschool program to support approximately 7,100 new preschool slots.

In 2013-14, despite fewer overall resources compared to 2012-13, much less funding is designated for paying down deferrals. This frees up funds in 2013-14 that can be used for other purposes. In total, the budget includes a \$2.6 billion increase in K-12 ongoing funding. Ongoing funding per student (as measured by ADA) increases from \$7,590 in 2012-13 to \$8,005 in 2013-14—an increase of \$415 (5.5 percent).

LCFF for School Districts and Charter Schools

The budget package includes a major restructuring of the state's funding system for school districts and charter schools. The new LCFF system replaces existing funding formulas for revenue limits and most categorical programs with a weighted student funding formula. Over the course of implementation, districts will receive additional funding to reduce the same share of the gap between their existing per-pupil funding rates and their targets under the LCFF. Full implementation of the LCFF is expected to take eight years (with full implementation in 2020-21) and cost \$18 billion (not accounting for future COLA costs). The *2013-14 Budget Act* provides first-year funding of \$2.1 billion. This is expected to close 12 percent of each district's gap.

Deferral Paydowns

After four consecutive years of increasing the amount of deferrals for schools and community colleges—reaching a total of \$10.4 billion in outstanding deferrals by the end of 2011-12—the 2012-13 budget plan provided \$2.2 billion to reduce the amount of outstanding deferrals. The recently enacted budget plan makes an additional \$1.8 billion in 2012-13 deferral paydowns as well as \$272 million in paydowns in 2013-14. Under the budget package, \$6.2 billion in outstanding deferrals remain as of the end of 2013-14.

Common Core Implementation

The budget plan provides \$1.25 billion in one-time funding to schools for implementation of the CCSS. (Of this amount, the budget plan counts \$1 billion towards meeting the 2012-13 minimum guarantee and \$250 million towards meeting the 2013-14 guarantee.) The CCSS are nationally developed standards for math and English/Language Arts that the state adopted in 2010. Under current law, schools are required to align instruction to the CCSS beginning in 2014-15. The \$1.25 billion in CCSS funding must be spent in 2013-14 or 2014-15 for professional development, instructional materials, and technology that assist schools in aligning instruction to the CCSS. Local governing boards are required in a series of public meetings to discuss and adopt a plan for spending the funds and must report how the funds were spent to the California Department of Education (CDE) by July 1, 2015.

BONITA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2013

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 39

Passed by the voters in November 2012, Proposition 39 increases state corporate tax revenues and requires for a five-year period, starting in 2013-14, that a portion of these revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings.

Adult Education

In an effort to improve coordination among adult education providers, the budget provides \$25 million (Proposition 98 General Fund) for a new Adult Education Consortium Program. School districts and community colleges that form a regional consortium are eligible to apply for these funds.

In a related action, the budget package eliminates school districts' adult education categorical program and consolidates all associated annual funding (\$635 million Proposition 98 General Fund) into the school district LCFF. The budget package, however, contains a requirement for school districts (through their adult schools) to maintain at least their 2012-13 level of state spending on adult education in 2013-14 and 2014-15.

New Career Pathways Program

The budget provides \$250 million in one-time Proposition 98 funding to create a "California Career Pathways Trust." The primary purpose of the new program is to improve linkages between career technical (vocational) programs at schools and community colleges as well as between K-14 education and local businesses. The program authorizes several types of activities, such as creating new technical programs and curriculum.

Special Education

The budget package makes three notable changes to special education funding. First, the package simplifies the state's approach to distributing funding to special education local plan areas (SELPA's) by delinking state and federal special education allocation formulas. A conforming change revises the "statewide target rate" used to fund new students to the updated statewide average per-pupil funding rate. Second, the budget provides \$2.6 million in Proposition 98 funds to fully offset federal sequestration funding cuts for preschoolers and infants/toddlers with disabilities and provides \$2.1 million in federal carryover funds to partially mitigate federal sequestration funding cuts for K-12 students with disabilities. Third, the package consolidates 11 special education categorical grants into 5 larger grants.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2013-14 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BONITA UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2013*

	Total Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 54,841,085
Investments	970,580
Accounts receivable	10,741,396
Inventories	94,558
Total current assets	<u>66,647,619</u>
Non-current Assets:	
Unamortized debt issuance costs	1,437,832
Deferred charges on refunding	2,594,815
Total non-current assets	<u>4,032,647</u>
Capital Assets:	
Non-depreciable assets	29,141,558
Depreciable assets	158,893,314
Less accumulated depreciation	<u>(52,493,418)</u>
Total capital assets, net of depreciation	<u>135,541,454</u>
Total assets	<u>206,221,720</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	6,229,603
TRANS payable	9,881,000
Total current liabilities	<u>16,110,603</u>
Long-term Liabilities:	
Due or payable within one year	2,949,151
Due or payable after one year	118,040,260
Total long-term liabilities	<u>120,989,411</u>
Total liabilities	<u>137,100,014</u>
NET POSITION	
Net investment in capital assets	52,441,967
Restricted for:	
Capital projects	2,612,317
Debt service	5,826,377
Categorical programs	1,517,407
Unrestricted	<u>6,723,638</u>
Total net position	<u>\$ 69,121,706</u>

BONITA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2013

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	\$ 50,679,299	\$ 14,518	\$ 7,661,877	\$ (43,002,904)
Instruction-Related Services:				
Supervision of instruction	2,653,467	1,973	1,159,860	(1,491,634)
Instructional library, media and technology	624,278	-	6,408	(617,870)
School site administration	5,124,924	-	73,298	(5,051,626)
Pupil Support Services:				
Home-to-school transportation	1,165,319	100,906	772,699	(291,714)
Food services	2,007,985	700,367	1,180,528	(127,090)
All other pupil services	4,843,140	1,273	1,695,244	(3,146,623)
General Administration Services:				
Data processing services	1,498,700	-	-	(1,498,700)
Other general administration	3,969,115	14,914	509,994	(3,444,207)
Plant services	8,185,893	46,848	528,470	(7,610,575)
Ancillary services	1,061,666	-	-	(1,061,666)
Community services	1,856,564	-	-	(1,856,564)
Enterprise activities	-	-	-	-
Interest on long-term debt	5,699,259	-	-	(5,699,259)
Other outgo	2,135,669	8,140	1,300,067	(827,462)
Total Governmental Activities	\$ 91,505,278	\$ 888,939	\$ 14,888,445	(75,727,894)
General Revenues:				
Property taxes				23,058,194
Federal and state aid not restricted to specific purpose				44,935,830
Interest and investment earnings				547,522
Interagency revenues				49,818
Miscellaneous				4,743,140
Total general revenues				73,334,504
Change in net position				(2,393,390)
Net position - July 1, 2012				71,515,096
Net position - June 30, 2013				\$ 69,121,706

BONITA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2013

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 16,660,843	\$ 27,016,687	\$ 11,163,555	\$ 54,841,085
Investments	-	-	970,580	970,580
Accounts receivable	10,010,916	70,081	218,915	10,299,912
Inventories	67,979	-	26,579	94,558
Total Assets	\$ 26,739,738	\$ 27,086,768	\$ 12,379,629	\$ 66,206,135
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,877,804	\$ 1,016,176	\$ 168,536	\$ 4,062,516
TRANs payable	9,881,000	-	-	9,881,000
Total Liabilities	12,758,804	1,016,176	168,536	13,943,516
Fund Balances				
Nonspendable	157,979	-	26,579	184,558
Restricted	1,382,940	26,070,592	10,872,584	38,326,116
Committed	-	-	972,255	972,255
Assigned	677,400	-	339,675	1,017,075
Unassigned	11,762,615	-	-	11,762,615
Total Fund Balances	13,980,934	26,070,592	12,211,093	52,262,619
Total Liabilities and Fund Balances	\$ 26,739,738	\$ 27,086,768	\$ 12,379,629	\$ 66,206,135

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2013

Total fund balances - governmental funds		\$ 52,262,619
Capital assets used in governmental <i>activities</i> are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$188,034,872 and the accumulated depreciation is \$52,493,418.		135,541,454
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included on the statement of net position are:		1,437,832
In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were:		441,484
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as an asset. The remaining deferred charges on refunding at the end of the period was:		2,594,815
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:		(2,167,087)
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	110,664,788
	Certificates of participation	3,004,718
	Capital leases	111,690
	Compensated absences	1,314,080
	Early retirement incentive	1,126,779
	Other postemployment benefits	4,767,356
		<u>(120,989,411)</u>
Total net position - governmental activities		<u>\$ 69,121,706</u>

BONITA UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2013*

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 50,711,708	\$ -	\$ -	\$ 50,711,708
Federal sources	3,444,235	-	2,366,828	5,811,063
Other state sources	10,027,265	-	548,636	10,575,901
Other local sources	9,902,461	583,745	11,527,010	22,013,216
Total Revenues	74,085,669	583,745	14,442,474	89,111,888
EXPENDITURES				
Current:				
Instruction	46,570,766	-	2,585	46,573,351
Instruction-Related Services:				
Supervision of instruction	2,449,092	-	99,886	2,548,978
Instructional library, media and technology	618,473	-	-	618,473
School site administration	4,922,735	-	-	4,922,735
Pupil Support Services:				
Home-to-school transportation	1,118,880	-	-	1,118,880
Food services	66	-	1,856,990	1,857,056
All other pupil services	4,548,468	-	10,229	4,558,697
Ancillary services	980,396	-	-	980,396
Community services	66,139	-	1,598,993	1,665,132
General Administration Services:				
Data processing services	1,370,991	-	-	1,370,991
Other general administration	3,620,684	-	4,524	3,625,208
Plant services	7,274,280	85,171	1,062,141	8,421,592
Transfers of indirect costs	(140,103)	-	140,103	-
Capital Outlay	92,524	18,947,979	434,646	19,475,149
Intergovernmental Transfers	2,135,669	-	-	2,135,669
Debt Service:				
Issuance costs	201,853	(379)	-	201,474
Principal	10,774	-	1,599,170	1,609,944
Interest	4,438	-	5,795,317	5,799,755
Total Expenditures	75,846,125	19,032,771	12,604,584	107,483,480
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,760,456)	(18,449,026)	1,837,890	(18,371,592)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	381,168	-	381,168
Interfund transfers out	-	-	(381,168)	(381,168)
Proceeds from capital leases	100,181	-	-	100,181
Total Other Financing Sources and Uses	100,181	381,168	(381,168)	100,181
Net Change in Fund Balances	(1,660,275)	(18,067,858)	1,456,722	(18,271,411)
Fund Balances, July 1, 2012, as originally stated	16,621,260	44,138,450	9,774,320	70,534,030
Adjustments for Restatement	(980,051)	-	980,051	-
Fund Balances, July 1, 2012, as restated	15,641,209	44,138,450	10,754,371	70,534,030
Fund Balances, June 30, 2013	\$ 13,980,934	\$ 26,070,592	\$ 12,211,093	\$ 52,262,619

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, 2013*

Total net change in fund balances - governmental funds \$ (18,271,411)

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	19,811,288	
Depreciation expense	<u>(5,804,971)</u>	
Net:		14,006,317

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. 1,609,944

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: (100,181)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: (162,175)

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: 269,475

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: (79,072)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 353,094

In governmental funds, other postemployment benefits (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (987,841)

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: (79,651)

In the statement of activities, certain operating expenses - such as compensated absences and early retirement incentives, for example, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The difference between compensated absences and early retirement incentives paid and earned was: 1,048,111

Change in net position of governmental activities \$ (2,393,390)

BONITA UNIFIED SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2013

	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
ASSETS			
Cash	\$ 555,324	\$ 634,632	\$ 1,189,956
Inventories - supplies and materials	-	56,158	56,158
Webstore	-	1,627	1,627
Total assets	\$ 555,324	\$ 692,417	\$ 1,247,741
LIABILITIES			
Due to regulatory agencies	\$ 555,324	\$ -	\$ 555,324
Due to student groups	-	692,417	692,417
Total liabilities	\$ 555,324	\$ 692,417	\$ 1,247,741

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of Bonita Unified School District and any component units which are legally separate organizations for which the District is financially accountable. Component units are so intertwined with the District that they are, in substance, the same as the District and, therefore, are blended and reported as if they were part of the District. The District has no 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.

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

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

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

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

Capital Projects Funds:

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

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

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

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

Debt Service Fund:

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.

Fiduciary Funds

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds (continued)

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. 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. The final adopted and revised budgets are presented for the General Fund in the required supplementary information section.

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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Liabilities, and Net Position

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013, based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments". Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

2. Cash and Cash Equivalents

The District considers cash and cash equivalents in proprietary funds 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.

3. 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.

4. 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.

5. Capital Assets

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

BONITA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2013***NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)****E. Assets, Liabilities, and Net Position (continued)****5. 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

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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Position (continued)

7. 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 reported period. Actual results could differ from those estimates.

G. New GASB Pronouncements

During the 2012-13 fiscal year, the following GASB Pronouncements became effective:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements:* The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncements (continued)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*: The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*: The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncements (continued)

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*: This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2013 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		\$ 54,724,141	\$ 555,324
Deposits:			
Cash on hand and in banks		26,944	634,632
Cash in revolving fund		90,000	-
Total deposits		<u>116,944</u>	<u>634,632</u>
Total cash		<u>\$ 54,841,085</u>	<u>\$ 1,189,956</u>
Investments:			
U.S. Bank First American Treasury Obligations	AA	<u>\$ 970,580</u>	

Investment security ratings reported as of June 30, 2013 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, 2013

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, 2013, 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, 2013, \$97,603 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, 2013 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, 2013, 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, 2013, 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, 2013*

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:				
Categorical aid programs	\$ 1,305,107	\$ -	\$ 175,958	\$ 1,481,065
State Government:				
Revenue limit	4,035,652	-	-	4,035,652
Lottery	795,791	-	-	795,791
Class size reduction	763,944	-	-	763,944
Categorical aid programs	739,729	-	27,782	767,511
Local:				
Interest	19,710	42,083	8,704	70,497
Special education	2,071,834	-	-	2,071,834
Miscellaneous	279,149	27,998	6,471	313,618
Totals	<u>\$ 10,010,916</u>	<u>\$ 70,081</u>	<u>\$ 218,915</u>	<u>\$ 10,299,912</u>

NOTE 4 - INTERFUND ACTIVITIES**Transfers To/From Other Funds**

Transfers to/from other funds at June 30, 2013 consisted of the following:

County School Facilities Fund transfer to Building Fund for accumulated interest earned on state modernization deposits	<u>\$ 381,168</u>
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BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 5 - FUND BALANCES

Minimum Fund Balance Policy

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

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

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

At June 30, 2013, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 90,000	\$ -	\$ -	\$ 90,000
Stores inventories	67,979	-	26,579	94,558
Total Nonspendable	157,979	-	26,579	184,558
Restricted:				
Categorical programs	1,382,940	-	134,467	1,517,407
Capital projects	-	26,070,592	4,911,740	30,982,332
Debt service	-	-	5,826,377	5,826,377
Total Restricted	1,382,940	26,070,592	10,872,584	38,326,116
Committed:				
Adult education program	-	-	92,500	92,500
Deferred maintenance program	-	-	879,755	879,755
Total Committed	-	-	972,255	972,255
Assigned:				
Medi-Cal administrative activities	170,398	-	-	170,398
School site department carryover	507,002	-	-	507,002
Child development program	-	-	339,675	339,675
Total Assigned	677,400	-	339,675	1,017,075
Unassigned:				
Reserve for economic uncertainties	2,272,378	-	-	2,272,378
Remaining unassigned balances	9,490,237	-	-	9,490,237
Total Unassigned	11,762,615	-	-	11,762,615
Total	\$ 13,980,934	\$ 26,070,592	\$ 12,211,093	\$ 52,262,619

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance, July 1, 2012	Additions	Retirements	Balance, June 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,711,208	\$ -	\$ -	\$ 1,711,208
Construction in progress	22,645,022	19,182,950	14,397,622	27,430,350
Total capital assets not being depreciated	<u>24,356,230</u>	<u>19,182,950</u>	<u>14,397,622</u>	<u>29,141,558</u>
Capital assets being depreciated:				
Improvement of sites	7,374,674	6,322,504	-	13,697,178
Buildings	128,083,016	8,225,096	-	136,308,112
Equipment	8,409,664	478,360	-	8,888,024
Total capital assets being depreciated	<u>143,867,354</u>	<u>15,025,960</u>	<u>-</u>	<u>158,893,314</u>
Accumulated depreciation for:				
Improvement of sites	(4,022,576)	(539,199)	-	(4,561,775)
Buildings	(36,982,832)	(4,762,422)	-	(41,745,254)
Equipment	(5,683,039)	(503,350)	-	(6,186,389)
Total accumulated depreciation	<u>(46,688,447)</u>	<u>(5,804,971)</u>	<u>-</u>	<u>(52,493,418)</u>
Total capital assets being depreciated, net	<u>97,178,907</u>	<u>9,220,989</u>	<u>-</u>	<u>106,399,896</u>
Governmental activity capital assets, net	<u>\$ 121,535,137</u>	<u>\$ 28,403,939</u>	<u>\$ 14,397,622</u>	<u>\$ 135,541,454</u>

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

Instruction	\$ 4,475,633
Instructional Supervision and Administration	104,489
Instructional Library, Media and Technology	5,805
School Site Administration	11,611
Home-to-School Transportation	46,439
Food Services	150,930
All Other Pupil Services	284,443
Ancillary Services	81,270
Community Services	196,463
All Other General Administration	314,375
Centralized Data Processing	127,709
Plant Services	5,804
Total	<u>\$ 5,804,971</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 7 - GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2013 were as follows:

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 105,222,395	\$ -	\$ 1,345,000	\$ 103,877,395	\$ 1,375,000
Accreted interest	463,050	251,181	-	714,231	-
Unamortized issuance premium	6,426,256	-	353,094	6,073,162	353,094
Total - General Obligation Bonds	112,111,701	251,181	1,698,094	110,664,788	1,728,094
Certificates of Participation:					
Principal payments	1,661,425	-	254,170	1,407,255	239,449
Accreted interest	2,118,119	72,635	593,291	1,597,463	608,792
Total - COPs	3,779,544	72,635	847,461	3,004,718	848,241
Capital leases	22,283	100,181	10,774	111,690	22,726
Compensated absences	1,205,830	108,250	-	1,314,080	-
Early retirement incentive	2,283,140	111,367	1,267,728	1,126,779	350,090
Other postemployment benefits	3,779,515	987,841	-	4,767,356	-
Totals	\$ 123,182,013	\$ 1,631,455	\$ 3,824,057	\$ 120,989,411	\$ 2,949,151

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

A. General Obligation Bonds

Measure "C"

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

Measure "AB"

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

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

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2013

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Measure "AB" (continued)

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

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

2012 General Obligation Refunding Bonds

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,594,815 remain to be amortized. As of June 30, 2013, the principal balance outstanding on the defeased debt amounted to \$23,250,000.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 2,249,790	\$ -	\$ 575,000	\$ 1,674,790
2004 B	12/20/2006	8/1/2031	3.9%-4.7%	26,360,000	26,185,000	-	135,000	26,050,000
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	3,400,000	-	185,000	3,215,000
2008 A-1	9/23/2009	8/1/2034	6.0%-6.93%	24,600,000	24,600,000	-	-	24,600,000
2008 B	5/26/2011	8/1/2037	3.0%-5.25%	16,802,605	16,802,605	-	210,000	16,592,605
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	9,455,000	-	-	9,455,000
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	22,530,000	-	240,000	22,290,000
				\$ 135,147,395	\$ 105,222,395	\$ -	\$ 1,345,000	\$ 103,877,395

	Balance, July 1, 2012	Additions	Deductions	Balance, June 30, 2013
Accreted Interest				
2004 A	\$ 133,984	\$ 22,996	\$ -	\$ 156,980
2008 A	270,288	136,512	-	406,800
2008 B	58,778	91,673	-	150,451
	\$ 463,050	\$ 251,181	\$ -	\$ 714,231

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2013 were as follows:

Fiscal Year	Principal	Interest	Total
2013-2014	\$ 1,375,000	\$ 5,292,080	\$ 6,667,080
2014-2015	1,475,000	5,235,720	6,710,720
2015-2016	1,910,000	5,180,367	7,090,367
2016-2017	1,705,000	5,109,891	6,814,891
2017-2018	1,920,000	5,051,892	6,971,892
2018-2023	17,960,000	23,753,533	41,713,533
2023-2028	29,470,000	18,212,589	47,682,589
2028-2033	32,366,220	11,373,057	43,739,277
2033-2038	15,696,175	5,494,715	21,190,890
Total	\$ 103,877,395	\$ 84,703,844	\$ 188,581,239

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, 2013, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$1,407,255 in addition to \$1,597,463 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2013 were as follows:

Fiscal Year	Principal	Interest	Total
2013-2014	\$ 239,449	\$ 608,792	\$ 848,241
2014-2015	225,711	623,783	849,494
2015-2016	211,972	635,634	847,606
2016-2017	199,214	647,123	846,337
2017-2018	187,438	658,597	846,035
2018-2020	343,471	1,353,626	1,697,097
Total	\$ 1,407,255	\$ 4,527,555	\$ 5,934,810

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

C. Capital Leases

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-2014	\$ 22,726	\$ 7,585	\$ 30,311
2014-2015	24,477	5,832	30,309
2015-2016	26,363	3,946	30,309
2016-2017	23,096	2,052	25,148
2017-2018	15,028	500	15,528
Total	\$ 111,690	\$ 19,915	\$ 131,605

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

D. Early Retirement Incentives

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

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

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

In 2011-12, certificated and classified employees were offered a retirement incentive of up to 25% of their annual salary if certain numbers of staff opted to retire. Not enough classified staff decided to retire so they were not eligible to receive the incentive. Twenty-three certificated staff opted to retire which resulted in a retirement incentive obligation at June 30. The retirement incentive will be paid in two installments; one in October 2012 and one in February 2013.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

D. Early Retirement Incentives (continued)

Currently, 122 retirees are receiving benefits under these programs. Expenditures are recognized on a pay-as-you-go basis, as employees are paid. During the year, expenditures of \$1,267,728 were incurred for retiree incentives.

The estimated future liability at June 30, 2013 is \$1,126,779. This was estimated by multiplying the number of retirees receiving benefits by the annual payment for each retiree and by the number of years remaining of eligibility.

NOTE 8 - TAX REVENUE ANTICIPATION NOTES

The District issued \$9,881,000 of Tax Revenue Anticipation Notes dated February 1, 2013 through the California Education Notes Program. The notes mature on January 31, 2014, have an interest rate of 2.00% and yield 0.25%. The notes were sold by the District to supplement its cash flow. Repayment requirements are that certain amounts will be deposited into a special fund. The monies are required to remain on deposit until the maturity date of the note, at which time they will be applied to pay the principal and interest on the notes.

NOTE 9 - JOINT VENTURES

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

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

Condensed audited financial information for the year ended June 30, 2012 for ASCIP and VIP is as follows:

	ASCIP	VIP
Total Assets	\$ 272,622,432	\$ 20,790,500
Total Liabilities	14,823,028	14,909,845
Fund Equity	\$ 257,799,404	\$ 5,880,655
Total Revenues	\$ 188,444,031	\$ 5,461,782
Total Expenses	176,093,572	4,582,644
Net Increase in Fund Equity	\$ 12,350,459	\$ 879,138

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2013, 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 2013, 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 2013, the District had a cap of \$7,000 on employer paid health and welfare benefits. The District has contracted with the California Public Employment Retirement System (CalPERS) Health Plan and with Kaiser Permanente to provide medical and surgical benefits, and with Delta Care, Delta Dental, and United Concordia for dental benefits. Vision benefits are provided through Vision Service Plan. Disability insurance, cancer insurance, and accident insurance are also options available to employees.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2013, the District had commitments with respect to unfinished capital projects of approximately \$14.9 million to be paid from bond funds and other funds.

C. Litigation

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

NOTE 12 - EMPLOYEE RETIREMENT PLANS

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	\$ 1,297,555	100%
2011-12	\$ 1,193,398	100%
2010-11	\$ 1,191,763	100%

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2012-13	\$ 3,031,217	100%
2011-12	\$ 2,982,326	100%
2010-11	\$ 2,989,228	100%

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Alternative Retirement Program (ARP)

Plan Description

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

Funding Policy

Contributions of 3.75% of covered compensation of eligible employees are made by the employer and the employee. Total contributions, employer and employee combined, were \$118,306 during 2012-13. The total amount of covered compensation was \$1,577,413. All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$1.6 million to STRS (4.267% of salaries subject to STRS in 2012-13).

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	138
Active plan members*	568
Total	<u>706</u>

* As of June 30, 2012 actuarial valuation

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

Special Arrangements for Contract Employees

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

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2012-13, the District contributed \$185,755.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 13 - 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 following table 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)	\$	1,224,558
Interest on net OPEB obligation		188,976
Adjustment to annual required contribution		(239,938)
Annual OPEB cost (expense)		<u>1,173,596</u>
Contributions made: Pay-as-you-go costs		<u>(185,755)</u>
Increase (decrease) in net OPEB obligation (asset)		987,841
Net OPEB obligation (asset), beginning of year		<u>3,779,515</u>
Net OPEB obligation (asset), end of year	\$	<u><u>4,767,356</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012-13 and the preceding two years are as follows:

Year Ended	Annual	Percentage	Net
June 30,	OPEB Cost	Contributed	OPEB
			Obligation
2013	\$ 1,173,596	3.9%	\$ 4,767,356
2012	\$ 1,213,388	5.3%	\$ 3,779,515
2011	\$ 1,192,974	13.1%	\$ 2,765,233

Funded Status and Funding Progress - OPEB Plans

As of June 30, 2012, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$10.7 million and the unfunded actuarial accrued liability (UAAL) was \$10.7 million.

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

Actuarial Methods and Assumptions

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

Additional information as of the latest actuarial valuation follows:

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

NOTE 14 - ADJUSTMENT FOR RESTATEMENT

The beginning fund balances of the General Fund and Non-Major Governmental Funds on the Statement of Revenues, Expenditures, and Changes in Fund Balances have been restated by \$980,051 to recognize the beginning fund balances of the Adult Education Fund and Deferred Maintenance Fund, which are no longer reported within the General Fund. This was due to the governing board's decision to commit the ending fund balance in the Adult Education Fund and Deferred Maintenance Fund during 2012-13.

NOTE 15 - FUTURE GASB PRONOUNCEMENTS

The following statements issued by the Governmental Accounting Standards Board (GASB) will become effective in future years and are expected to have a significant impact on the District's financial reporting:

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

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

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

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

This Statement will become effective in 2013-14.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

NOTE 15 - FUTURE GASB PRONOUNCEMENTS (continued)

B. Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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

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

Cost-Sharing Employers

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

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

This Statement will become effective in 2014-15.

Required Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Revenue Limit Sources	\$ 50,413,925	\$ 50,373,841	\$ 50,711,708	\$ 337,867
Federal	3,496,080	3,597,421	3,444,235	(153,186)
Other State	9,558,910	10,000,578	10,027,265	26,687
Other Local	5,242,846	9,820,199	9,902,461	82,262
Total Revenues	68,711,761	73,792,039	74,085,669	293,630
Expenditures				
Current:				
Certificated Salaries	37,297,063	37,107,053	37,211,674	(104,621)
Classified Salaries	10,535,842	10,693,861	10,360,313	333,548
Employee Benefits	12,695,446	13,103,543	13,216,675	(113,132)
Books and Supplies	2,672,800	3,561,646	2,526,529	1,035,117
Services and Other Operating Expenditures	9,762,783	9,835,319	10,057,930	(222,611)
Capital Outlay	188,800	218,852	322,123	(103,271)
Intergovernmental Transfers	314,000	2,239,901	2,135,669	104,232
Debt Service	5,858	15,922	15,212	710
Total Expenditures	73,472,592	76,776,097	75,846,125	929,972
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,760,831)	(2,984,058)	(1,760,456)	1,223,602
Other Financing Sources and Uses				
Proceeds from long-term debt	-	-	100,181	100,181
Net Change in Fund Balances	(4,760,831)	(2,984,058)	(1,660,275)	1,323,783
Fund Balances, July 1, 2012	15,641,209	15,641,209	15,641,209	-
Fund Balances, June 30, 2013	\$ 10,880,378	\$ 12,657,151	\$ 13,980,934	\$ 1,323,783

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ -	\$ 8,019,847	\$ 8,019,847	0.0%	\$ 51,772,432	15.5%
July 1, 2010	\$ -	\$ 10,504,116	\$ 10,504,116	0.0%	\$ 49,285,873	21.3%
June 30, 2012	\$ -	\$ 10,702,324	\$ 10,702,324	0.0%	\$ 46,817,107	22.9%

BONITA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2013, 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>Excess Expenditures</u>
Certificated Salaries	\$ 104,621
Employee Benefits	113,132
Services and Other Operating Expenditures	222,611
Capital Outlay	103,271

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Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2013

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

DISTRICT ADMINISTRATORS

Gary Rapkin, Ph.D.,
Superintendent

Curtis Frick,
Assistant Superintendent, Human Resources Development

Nanette Hall,
Assistant Superintendent, Educational Services

Ann Sparks,
Assistant Superintendent, Business Services

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2013

	Second Period Report (Certificate No. 44BBE24F)	Annual Report (Certificate No. 6D52ABDD)
Elementary:		
Kindergarten	663	669
Grades 1 through 3	1,891	1,892
Grades 4 through 6	2,077	2,079
Grades 7 and 8	1,442	1,442
Home and Hospital	3	2
Special Education	129	130
Extended year - Nonpublic, Nonsectarian	38	39
Total Elementary	6,243	6,253
Secondary:		
Grades 9 through 12, regular classes	3,026	3,017
Continuation Education	124	119
Opportunity	28	30
Home and Hospital	11	10
Special Education	51	51
Extended year - Nonpublic, Nonsectarian	44	44
Total Secondary	3,284	3,271
Total Average Daily Attendance	9,527	9,524

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2013

Grade Level	1982-83 Minutes		1986-87 Minutes		2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
	Actual	Reduced*	Previously Required	Reduced*			
Kindergarten	31,680	30,800	36,000	35,000	44,250	180	Complied
Grade 1	46,228	44,944	50,400	49,000	50,595	180	Complied
Grade 2	46,228	44,944	50,400	49,000	50,595	180	Complied
Grade 3	46,228	44,944	50,400	49,000	50,595	180	Complied
Grade 4	51,410	49,982	54,000	52,500	56,580	180	Complied
Grade 5	51,410	49,982	54,000	52,500	56,580	180	Complied
Grade 6	51,410	49,982	54,000	52,500	54,674	180	Complied
Grade 7	51,410	49,982	54,000	52,500	54,674	180	Complied
Grade 8	51,410	49,982	54,000	52,500	54,674	180	Complied
Grade 9	62,760	61,017	64,800	63,000	65,275	180	Complied
Grade 10	62,760	61,017	64,800	63,000	65,275	180	Complied
Grade 11	62,760	61,017	64,800	63,000	65,275	180	Complied
Grade 12	62,760	61,017	64,800	63,000	65,275	180	Complied

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

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2013

General Fund	(Budget) ² 2014	2013	2012	2011
Revenues and other financing sources	\$ 72,366,951	\$ 74,185,850	\$ 74,834,687	\$ 75,507,249
Expenditures	76,935,174	75,846,125	74,245,189	74,304,913
Other uses and transfers out	-	-	22,115	-
Total Outgo	76,935,174	75,846,125	74,267,304	74,304,913
Change in fund balance (deficit)	(4,568,223)	(1,660,275)	567,383	1,202,336
Ending fund balance	\$ 9,412,711	\$ 13,980,934	\$ 15,641,209	\$ 15,073,826
Available Reserves ¹	\$ 5,563,737	\$ 11,762,615	\$ 12,721,052	\$ 11,592,410
Available Reserves as a percentage of Total Outgo	7.2%	15.5%	17.1%	15.6%
Total Long-Term Debt	\$ 118,040,260	\$ 120,989,411	\$ 123,182,013	\$ 120,884,957
Average Daily Attendance at P-2 ³	9,534	9,527	9,533	9,547

The General Fund balance has decreased by \$ 1,092,892 over the past two years. The fiscal year 2013-14 adopted budget projects a decrease of \$4,568,223. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in one of the past two years, and anticipates incurring an operating deficit during the 2013-14 fiscal year. Total long-term debt has increased by \$104,454 over the past two years.

Average daily attendance has decreased by 20 over the past two years. An increase of 7 ADA is anticipated during fiscal year 2013-14.

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

² As of September, 2013.

³ Excludes Adult Education and ROC/P ADA.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	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	\$ 150,606	
National School Lunch Program	10.555	13391	1,042,315	
USDA - Donated Foods	10.555	N/A	<u>114,344</u>	
Subtotal Child Nutrition Cluster				\$ 1,307,265
Flood Control Funds	10.904	N/A		227
Forest Reserve	10.665	10044		<u>12,647</u>
Total U.S. Department of Agriculture				<u><u>1,320,139</u></u>
U.S. Department of Labor:				
Workforce Investment Act	17.259	10055		<u>21,732</u>
Total U.S. Department of Labor				<u><u>21,732</u></u>
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		823,793
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		234,798
Title II, Part D Enhancing Education Through Technology, Formula Grants	84.318	14334		2,658
Title III, Limited English Proficient (LEP) Student Program	84.365	14346		69,400
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		44,116
Passed through SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,511,264	
Preschool Grants, Part B	84.173	13430	60,430	
Preschool Local Entitlement, Part B	84.027A	13682	65,672	
Mental Health Allocation Plan, Part B	84.027	14468	446,975	
Preschool Staff Development, Part B	84.173A	13431	<u>598</u>	
Subtotal Special Education (IDEA) Cluster				<u>2,084,939</u>
Total U.S. Department of Education				<u><u>3,259,704</u></u>
U.S. Department of Health & Human Services:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	101,602	
Medi-Cal Administrative Activities (MAA)	N/A	10060	<u>166,510</u>	
Subtotal Medicaid Cluster				<u>268,112</u>
Total U.S. Department of Health & Human Services				<u><u>268,112</u></u>
Total Expenditures of Federal Awards				<u><u>\$ 4,869,687</u></u>

BONITA UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2013*

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

BONITA UNIFIED SCHOOL DISTRICT

*Note to the Supplementary Information
June 30, 2013*

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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as reduced by Education Code Section 46201.2(a).

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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Other Independent Auditors' Reports

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Bonita Unified School District
San Dimas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Bonita Unified School District's basic financial statements, and have issued our report thereon dated November 19, 2013.

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 black ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, slightly slanted style.

November 19, 2013



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

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 Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bonita Unified School District's major federal programs for the year ended June 30, 2013. Bonita Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Bonita Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bonita Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Nigro + Nigro, PC

November 19, 2013



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Bonita Unified School District
San Dimas, California

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13, published by the Education Audit Appeals Panel, for the year ended June 30, 2013. The District's State programs are identified in the schedule below. Compliance with the requirements of laws, regulations, contracts, and grants is the responsibility of the District's management. Our responsibility is to express an opinion on Bonita Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Table with 3 columns: Description, Procedures in Audit Guide, and Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time (School Districts, County Offices of Education), Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, Early Retirement Incentive, Gann Limit Calculation, School Accountability Report Card, Juvenile Court Schools, Class Size Reduction (General Requirements, Option One, Option Two, Districts with Only One School Serving K-3).

Description	Procedures in Audit Guide	Procedures Performed
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable

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

In our opinion, Bonita Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2013.

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*. Accordingly, this report is not suitable for any other purpose.

Nigro+Nigro, PC

November 19, 2013

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, 2013

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>No</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>No</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 Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.027</u>	<u>Special Education Cluster (IDEA)</u>

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

State Awards

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

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2012-13.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2012-13.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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 2012-13.

BONITA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013

Original Finding No.	Finding	Code	Recommendation	Current Status
Findings 2012-1: <i>English Learner Teachers</i>	<p>Any teacher that is assigned to teach a class in which more than 20 percent of the pupils are English learners must be authorized to instruct limited-English-proficient pupils pursuant to the provisions of Education Code Sections 44253.3, 44253.4, or 44253.10.</p> <p>Our sample of 20 teachers found one teacher that was not properly authorized, but was teaching a class with more than 20 percent English learners.</p>	71000	The District must follow-up in 2012-13 to ensure that all teachers assigned to teach a class in which more than 20 percent of the pupils are English learners have the proper credentials.	Implemented.

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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, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 19, 2013, on the financial statements of Bonita Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Lone Hill Middle

Observation: In our testing of cash receipts, we found that one of the five deposits tested lacked sufficient supporting documentation. The deposit was from an ASB dance snack bar. Tally sheet or inventory/cash reconciliation should have been maintained for the transactions. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

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

San Dimas High School

Observation: During our testing of cash receipts, we found that one of five deposits tested lacked sufficient supporting documentation. The deposit was from the choir group's fall preview concert. Tally sheets, or ticket sales logs should have been maintained for the transactions. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

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

To the Board of Education
Bonita Unified School District

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

San Dimas High School (continued)

Observation: In our test of cash disbursement, we found one of 25 tested lacked sufficient supporting documentation. The check was issued for \$440 while the receipt indicated \$400 only.

Recommendation: We recommend for the District to follow-up on the noted exception to ensure that the disbursement is not a fraudulent transaction.

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

A handwritten signature in black ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, slightly slanted style.

November 19, 2013