

**BONITA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2015**

BONITA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2015

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Bonita Unified School District
San Dimas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for pensions during fiscal year 2014-15 due to the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27" and No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68". The adoption of these standards required retrospective application resulting in a \$76,381,453 reduction of previously reported net position at July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

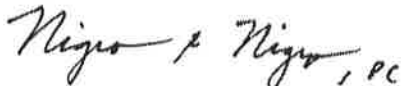
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 47, schedule of funding progress on page 48, schedule of proportionate share of the net pension liability on page 49, and schedule of contributions on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplementary information on pages 53 to 56 and the schedule of expenditures of federal awards on page 57 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 52 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
October 20, 2015

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

This discussion and analysis of Bonita Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$1.3 million, or 9.5%.
- Governmental expenses were approximately \$107.3 million. Revenues were approximately \$106.0 million.
- The District spent more than \$5.8 million on new capital assets during the year, much of which was for the San Dimas High School gymnasium.
- The District decreased its outstanding long-term debt by \$16.2 million, primarily due to the reduction of the net pension liability during the year.
- Grades K-12 average daily attendance (ADA) increased by 154, or 1.6%.

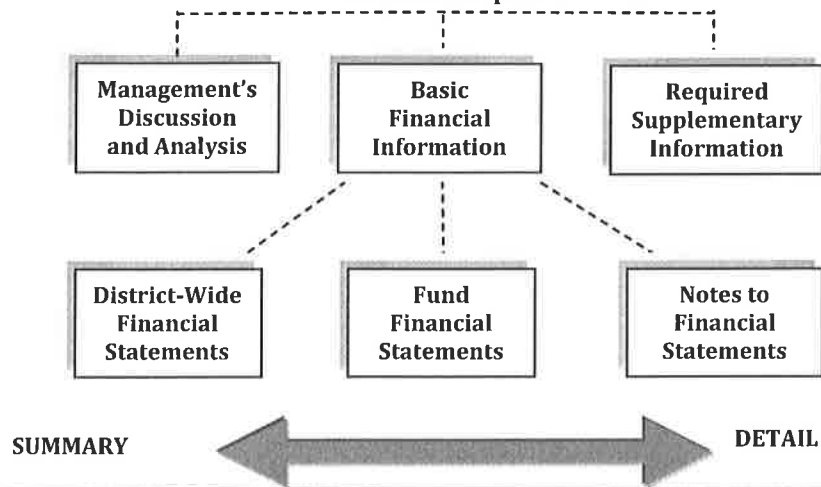
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

BONITA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2015, than it was the year before -- decreasing 9.5% to \$(14.9) million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2015	2014*	
Current assets	\$ 66.9	\$ 68.8	\$ (1.9)
Capital assets	144.8	145.6	(0.8)
Total assets	211.7	214.4	(2.7)
Total deferred outflows	11.0	7.0	4.0
Current liabilities	7.6	5.9	1.7
Long-term liabilities	212.8	229.0	(16.2)
Total liabilities	220.4	234.9	(14.5)
Total deferred inflows	17.2	-	17.2
Net position			
Net investment in capital assets	48.0	49.2	(1.2)
Restricted	11.7	11.3	0.4
Unrestricted	(74.6)	(74.1)	(0.5)
Total net position	\$ (14.9)	\$ (13.6)	\$ (1.3)

* As restated

Changes in net position, governmental activities. The District's total revenues increased 12.0% to \$106.0 million (See Table A-2). The increase is due primarily to federal and state aid.

The total cost of all programs and services increased 12.0% to \$107.3 million. The District's expenses are predominantly related to educating and caring for students, 75.5%. The purely administrative activities of the District accounted for just 5.9% of total costs. A significant contributor to the increase in costs was due to increase in compensation to district personnel.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2015	2014	
Total Revenues	\$ 106.0	\$ 94.7	\$ 11.3
Total Expenses	107.3	99.6	7.7
Increase (decrease) in net position	\$ (1.3)	\$ (4.9)	\$ 3.6

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

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 \$61.5 million, which is below last year's ending fund balance of \$64.9 million. The primary cause of the decreased fund balance is increased spending in the General Fund.

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 \$4.2 million primarily to reflect changes in federal and state funding.
- Salaries and benefits costs – increased \$1.4 million due to negotiated increases with district personnel.
- Books and supplies – increased \$1.7 million to re-budget carryover funds from the previous year.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$7.9 million, the actual results for the year show that revenues fell short of expenditures by roughly \$2.5 million. Actual revenues were \$0.1 million less than anticipated, and expenditures were \$5.6 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2015, that will be carried over into the 2015-16 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested \$5.8 million in new capital assets, related to the construction of the San Dimas High School gymnasium. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year exceeded \$6.5 million.

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

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2015	2014	
Land	\$ 1.7	\$ 1.7	\$ -
Improvement of sites	19.9	8.7	11.2
Buildings	84.8	89.7	(4.9)
Equipment	3.3	2.7	-
Construction in progress	35.1	42.8	(7.7)
Total	\$ 144.8	\$ 145.6	\$ (0.8)

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$212.8 million in general obligation bonds, certificates of participation, capital leases, compensated absences, early retirement incentives, pension liabilities, and other postemployment benefits – a decrease of 7.0% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements).

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

	Governmental Activities (In millions)		Variance Increase
	2015	2014*	(Decrease)
General obligation bonds	\$ 136.1	\$ 137.0	\$ (0.9)
Certificates of participation	2.0	2.5	(0.5)
Capital leases	0.3	0.3	-
Compensated absences	1.4	1.3	0.1
Early retirement incentive	1.4	1.0	0.4
Other postemployment benefits	6.8	5.9	0.9
Net pension liability	64.8	81.0	(16.2)
Total	\$ 212.8	\$ 229.0	\$ (16.2)

* As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

Overview

On June 16, 2015, the Governor, the Senate President pro Tempore, and the Speaker of the Assembly announced a budget agreement. The Legislature passed the budget bill and related legislation on Friday, June 19. The budget agreement relies on the administration's May 2015 estimates of (1) General Fund revenues, (2) the Proposition 98 minimum guarantee for schools and community colleges, and (3) budget reserve and debt payment requirements under Proposition 2. School and community college funding is the centerpiece of the agreement, as administration estimates of the Proposition 98 minimum guarantee have increased substantially over June 2014 levels. With savings resulting from (1) rejection of various administration proposals, (2) an error in the administration's Medi-Cal estimates, (3) legislative changes made to the Middle-Class Scholarship Program, and (4) other legislative actions, the agreement makes modest augmentations outside of Proposition 98 above May Revision levels.

2015-16 to End With \$4.6 Billion in Estimated Total Reserves

The budget agreement assumes \$115 billion in revenues, a 3.3 percent increase over 2014-15. (This total is net of the \$1.9 billion deposit in the Proposition 2 Budget Stabilization Account [BSA].) The state's "big three" General Fund taxes—the personal income tax, sales and use tax, and corporation tax—are estimated to increase at a slightly higher rate (4 percent). General Fund revenue growth was much higher in 2014-15, increasing at a very healthy 7.7 percent rate. General Fund spending is largely flat across 2014-15 and 2015-16, increasing at only 0.8 percent. Growth in ongoing programmatic spending, however, is masked by various one-time actions, including one-time spending in 2014-15 on debt payments and mandate backlog claims, and the end of the "triple flip" mechanism used to finance the state's prior deficit financing bonds. The budget ends 2015-16 with \$4.6 billion in estimated total reserves, including \$1.1 billion in the Special Fund for Economic Uncertainties—the state's traditional budget reserve—and \$3.5 billion in the BSA.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98

Substantial Upward Revisions to Estimates of Proposition 98 Minimum Guarantee

State budgeting for preschool, elementary and secondary schools, and the California Community Colleges (CCC) is based primarily on Proposition 98, approved by voters in 1988. Proposition 98 established a minimum funding requirement commonly called the minimum guarantee. The estimate of the 2013-14 and 2014-15 minimum guarantees have increased \$612 million and \$5.4 billion, respectively from the June 2014 estimates. The estimate of the 2015-16 minimum guarantee is \$7.6 billion (12 percent) higher than the 2014-15 Budget Act level. These increases in the guarantee are due primarily to state revenues being higher than assumed in last year's budget package. The budget package funds at these latest estimates of the minimum guarantees.

Large Upward 2014-15 Adjustments Result in Relatively Modest Year-Over-Year Growth

Growth from the revised 2014-15 level to 2015-16 is \$2.1 billion (3 percent). This relatively modest growth is due to the large upward revision to 2014-15 noted above. In 2015-16, total Proposition 98 funding is \$68.4 billion. Of this amount, \$49.4 billion is General Fund and \$19 billion is local property tax revenue. The notable increase in local property tax revenue from 2014-15 to 2015-16 (\$2.3 billion, 14 percent) is due in large part to the end of the triple flip and the shift of associated local property tax revenue back from cities, counties, and special districts to school and community college districts. Growth in local property tax revenue is slightly greater than growth in the Proposition 98 minimum guarantee, resulting in a slight reduction in Proposition 98 General Fund from 2014-15 to 2015-16.

Per-Student Funding Increases Significantly

Under the budget package, K-12 per-student funding increases from the 2014-15 Budget Act level of \$8,931 to \$9,942 in 2015-16—an increase of \$1,011 (11 percent).

Budget Package Contains Many Spending Changes

For 2013-14, the budget accounts for higher Local Control Funding Formula (LCFF) costs and uses the remaining funding increase for paying down the K-14 mandate backlog. In addition to these changes, the budget package includes a \$256 million settle-up payment related to meeting the Proposition 98 minimum guarantee for 2006-07 and 2009-10 and \$207 million in unspent prior-year Proposition 98 funds that have been repurposed.

Package Notably Reduces Outstanding K-14 Obligations

The budget package includes the following K-14 actions, all of which reduce the state's outstanding K-14 obligations.

- ***Pays Down Mandate Backlog.*** The budget package includes \$3.8 billion to pay down the K-14 mandate backlog (\$3.2 billion is for the K-12 backlog and \$632 million for the CCC backlog). After accounting for these payments, the LAO estimates the outstanding K-14 mandate backlog to be \$1.5 billion (\$1.2 billion for schools and about \$300 million for community colleges).
- ***Retires All K-14 Payment Deferrals.*** As required by trailer legislation enacted last year, the budget package provides \$992 million to eliminate all remaining K-14 payment deferrals. The budget year will be the first fiscal year since 2000-01 that the state is set to make all K-14 payments on time.
- ***Pays Off Emergency Repair Program (ERP) Obligation.*** The budget includes \$273 million for the final ERP payment. Statute requires the state to provide a total of \$800 million to school districts for emergency facility repairs, and the state has provided \$527 million to date. (Of the \$273 million, \$145 million comes from a settle-up payment and \$128 million comes from unspent prior-year Proposition 98 funds.)

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education

Large Increase for Local Control Funding Formula (LCFF)

The largest single augmentation in the state budget is \$6.0 billion for implementing the LCFF for school districts and charter schools—bringing total LCFF funding to \$52 billion. This reflects a 13 percent year-over-year increase in LCFF funding. The administration estimates this funding will close 52 percent of the remaining gap to LCFF target rates. The budget funds 90 percent of the estimated statewide full LCFF implementation cost. School districts and charter schools may use LCFF monies for any educational purpose, including implementation of their Local Control and Accountability Plans.

New Secondary School Career Technical Education (CTE) Competitive Grant Program

The budget package includes \$900 million in one-time funding for a three-year competitive grant program to promote high-quality CTE. Of this amount, \$400 million is provided in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18. School districts, county offices of education (COEs), charter schools, and Regional Occupational Centers and Programs operated by joint powers agencies (JPAs) may apply for grants, individually or in consortia. The program provides separate pools of funding for large, medium-sized, and small applicants, based on applicants' average daily attendance (ADA) in grades 7-12. Specifically, 88 percent of the funding is reserved for applicants with ADA greater than 550, 8 percent is reserved for applicants with ADA between 140 and 550, and 4 percent is reserved for applicants with less than 140 ADA. The Superintendent of Public Instruction (SPI), in collaboration with the executive director of the State Board of Education (SBE), will determine the number of grants to be awarded and specific grant amounts.

Package of Special Education Actions

The budget includes \$67 million for a package of special education-related activities. Of the \$67 million, \$52 million is ongoing and \$15 million is one time. The largest ongoing augmentation in this package is for expanding services for infants, toddlers, and preschoolers with disabilities as well as requiring preschool staff training and parent education relating to identifying and meeting preschoolers' special needs. The largest one-time augmentation is for one or two COEs to develop statewide resources and training opportunities for addressing students' diverse instructional and behavioral needs.

Second Round of Internet Infrastructure Grants

The budget includes \$50 million in one-time funding for the second round of Broadband Internet Infrastructure Grants. The K-12 High Speed Network is to award grants to schools that cannot administer online tests or can only administer the tests by shutting down other essential online activities such as email. Grants may be used to purchase Internet infrastructure. The Department of Finance (DOF) must approve projects resulting in costs exceeding \$1,000 per test-taking pupil.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2015-16 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, 2015

	Total Governmental Activities
ASSETS	
Cash	\$ 62,200,610
Investments	970,580
Accounts receivable	3,667,024
Inventories	66,692
Non-depreciable assets	36,773,521
Depreciable assets	172,964,958
Less accumulated depreciation	<u>(64,912,079)</u>
Total assets	<u>211,731,306</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to the measurement date	7,717,451
Deferred amounts on refunding	<u>3,253,665</u>
Total deferred outflows of resources	<u>10,971,116</u>
LIABILITIES	
Accounts payable	7,630,067
Unearned revenue	3,161
Long-term liabilities:	
Due or payable within one year	4,942,819
Due or payable after one year	<u>207,821,257</u>
Total liabilities	<u>220,397,304</u>
DEFERRED INFLOWS OF RESOURCES	
Net differences between projected and actual earnings on plan investments	<u>17,203,328</u>
NET POSITION	
Net investment in capital assets	47,958,771
Restricted for:	
Capital projects	3,127,896
Debt service	7,339,781
Categorical programs	1,246,183
Unrestricted	<u>(74,570,841)</u>
Total net position	<u>\$ (14,898,210)</u>

BONITA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2015

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	\$ 61,955,016	\$ 1,835,870	\$ 9,566,715	\$ (50,552,431)
Instruction-related services:				
Supervision of instruction	2,809,293	38,358	1,325,642	(1,445,293)
Instructional library, media and technology	678,367	11,185	5,628	(661,554)
School site administration	5,837,379	141,627	110,587	(5,585,165)
Pupil support services:				
Home-to-school transportation	1,669,822	140	335,131	(1,334,551)
Food services	2,286,503	722,012	1,627,939	63,448
All other pupil services	5,799,825	171,434	2,193,368	(3,435,023)
General administration services:				
Data processing services	2,032,948	8,679	-	(2,024,269)
Other general administration	4,266,187	84,259	737,917	(3,444,011)
Plant services	9,198,480	-	792,459	(8,406,021)
Ancillary services	1,211,854	24,168	4,899	(1,182,787)
Community services	1,895,010	3,882	787	(1,890,341)
Interest on long-term debt	6,745,321	-	-	(6,745,321)
Other outgo	981,034	223	441,648	(539,163)
Total Governmental Activities	\$ 107,367,039	\$ 3,041,837	\$ 17,142,720	(87,182,482)

General Revenues:

Property taxes	21,884,612
Federal and state aid not restricted to specific purpose	59,475,050
Interest and investment earnings	132,619
Interagency revenues	166,507
Miscellaneous	4,205,884

Total general revenues 85,864,672

Change in net position (1,317,810)

Net position - July 1, 2014, as originally stated 62,801,053

Adjustments for restatements (Note 1.1.) (76,381,453)

Net position - July 1, 2014, as restated (13,580,400)

Net position - June 30, 2015 \$ (14,898,210)

BONITA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 12,388,300	\$ 36,446,924	\$ 7,339,781	\$ 6,025,605	\$ 62,200,610
Investments	-	-	-	970,580	970,580
Accounts receivable	3,076,176	119,349	-	56,546	3,252,071
Inventories	28,850	-	-	37,842	66,692
Total Assets	\$ 15,493,326	\$ 36,566,273	\$ 7,339,781	\$ 7,090,573	\$ 66,489,953
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,272,573	\$ 191,687	\$ -	\$ 548,391	\$ 5,012,651
Unearned revenue	3,161	-	-	-	3,161
Total Liabilities	4,275,734	191,687	-	548,391	5,015,812
Fund Balances					
Nonspendable	118,850	-	-	37,842	156,692
Restricted	1,067,708	36,374,054	7,339,781	6,046,247	50,827,790
Assigned	2,573,304	532	-	458,093	3,031,929
Unassigned	7,457,730	-	-	-	7,457,730
Total Fund Balances	11,217,592	36,374,586	7,339,781	6,542,182	61,474,141
Total Liabilities and Fund Balances	\$ 15,493,326	\$ 36,566,273	\$ 7,339,781	\$ 7,090,573	\$ 66,489,953

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2015

Total fund balances - governmental funds \$ 61,474,141

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$209,738,479 and the accumulated depreciation is \$64,912,079. 144,826,400

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: 414,953

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 3,253,665

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: (2,617,416)

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:

Net pension liability	64,803,124	
General obligation bonds	136,049,194	
Certificates of participation	2,021,553	
Capital leases	279,511	
Compensated absences	1,356,741	
Early retirement incentive	1,419,541	
Other postemployment benefits	<u>6,834,412</u>	(212,764,076)

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

Deferred outflows	7,717,451
Deferred inflows	<u>(17,203,328)</u>

Total net position - governmental activities \$ (14,898,210)

BONITA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 69,456,250	\$ -	\$ -	\$ -	\$ 69,456,250
Federal sources	3,513,838	-	982,744	1,610,232	6,106,814
Other state sources	6,069,577	-	73,607	124,108	6,267,292
Other local sources	11,765,817	255,831	7,423,208	4,343,597	23,788,453
Total Revenues	90,805,482	255,831	8,479,559	6,077,937	105,618,809
EXPENDITURES					
Current:					
Instruction	55,625,016	-	-	-	55,625,016
Instruction-Related Services:					
Supervision of instruction	2,791,291	-	-	64,278	2,855,569
Instructional library, media and technology	686,953	-	-	-	686,953
School site administration	5,952,605	-	-	-	5,952,605
Pupil Support Services:					
Home-to-school transportation	1,696,753	-	-	-	1,696,753
Food services	19,771	-	-	2,310,934	2,330,705
All other pupil services	5,906,330	-	-	9,840	5,916,170
Ancillary services	1,224,728	-	-	-	1,224,728
Community services	60,345	-	-	1,863,627	1,923,972
General Administration Services:					
Data processing services	2,475,196	-	-	-	2,475,196
Other general administration	4,216,518	-	-	535	4,217,053
Plant services	8,351,366	53,887	-	812,190	9,217,443
Transfers of indirect costs	(65,000)	-	-	65,000	-
Capital Outlay	2,415,693	2,573,248	-	13,248	5,002,189
Intergovernmental Transfers	981,034	-	-	-	981,034
Debt Service:					
Issuance costs	-	-	248,565	-	248,565
Principal	295,699	-	2,050,000	-	2,345,699
Interest	642,009	-	6,028,148	-	6,670,157
Total Expenditures	93,276,307	2,627,135	8,326,713	5,139,652	109,369,807
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,470,825)	(2,371,304)	152,846	938,285	(3,750,998)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	88,209	-	-	-	88,209
Proceeds from refunding bonds	-	-	25,255,000	-	25,255,000
Premiums from issuance of debt	-	-	2,194,674	-	2,194,674
Transfer to escrow agent for defeased debt	-	-	(27,201,109)	-	(27,201,109)
Total Other Financing Sources and Uses	88,209	-	248,565	-	336,774
Net Change in Fund Balances	(2,382,616)	(2,371,304)	401,411	938,285	(3,414,224)
Fund Balances, July 1, 2014	13,600,208	38,745,890	6,938,370	5,603,897	64,888,365
Fund Balances, June 30, 2015	\$ 11,217,592	\$ 36,374,586	\$ 7,339,781	\$ 6,542,182	\$ 61,474,141

The notes to financial statements are an integral part of this statement.

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, 2015

Total net change in fund balances - governmental funds \$ (3,414,224)

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	5,757,666	
Depreciation expense	<u>(6,502,751)</u>	
Net:		(745,085)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 27,370,699

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: (27,537,883)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is: 821,026

In governmental funds, accreted interest is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest accrued during the year and accreted interest paid is: (44,257)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 1,646,483

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: (929,507)

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: (73,742)

In governmental funds, interest subsidies received from Build America Bonds are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. (26,531)

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: (477,241)

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 2,092,452

Change in net position of governmental activities \$ (1,317,810)

BONITA UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2015

	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
ASSETS			
Cash	\$ 701,211	\$ 705,124	\$ 1,406,335
Inventories - supplies and materials	-	37,819	37,819
Total assets	\$ 701,211	\$ 742,943	\$ 1,444,154
LIABILITIES			
Due to regulatory agencies	\$ 701,211	-	\$ 701,211
Due to student groups	-	742,943	742,943
Total liabilities	\$ 701,211	\$ 742,943	\$ 1,444,154

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

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

Capital Projects Funds:

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

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

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

Fiduciary Funds

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds (continued)

The District maintains the following fiduciary funds:

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

2. Measurement Focus, Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

3. Revenues - Exchange and Non-Exchange Transactions

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

C. Budgetary Data

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

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated 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, 2015***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)****3. Capital Assets (continued)**

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

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

4. Unearned Revenue

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

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

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

7. Pensions

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

8. Fund Balances

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Fund Balances (continued)

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

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

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

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

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

9. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy

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

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

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

G. Property Tax Calendar

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

H. Use of Estimates

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

I. New GASB Pronouncements

During the 2014-15 fiscal year, the following GASB Pronouncements became effective:

1. *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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

1. Statement No. 68 (continued)

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.

2. Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 (Issued 11/13)*

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net position liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. Statement No. 71 (continued)

At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

3. Cumulative Effect of Change in Accounting Principle

Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards was to decrease the net position at July 1, 2014, by \$76,381,453, which is the amount of net pension liability, net of the deferred outflows of resources related to pensions at July 1, 2014.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015, 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		\$ 62,084,957	\$ 701,211
Deposits:			
Cash on hand and in banks		25,653	705,124
Cash in revolving fund		90,000	-
Total deposits		<u>115,653</u>	<u>705,124</u>
Total cash		<u>\$ 62,200,610</u>	<u>\$ 1,406,335</u>
Investments:			
U.S. Bank First American Treasury Obligations	AA	<u>\$ 970,580</u>	

Investment security ratings reported as of June 30, 2015, are defined by Standard and Poors.

Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2015, 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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits (continued)

As of June 30, 2015, \$105,573 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, 2015, 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, 2015, 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, 2015, 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, 2015

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal Government:				
Categorical aid programs	\$ 1,428,009	\$ -	\$ 31,092	\$ 1,459,101
State Government:				
Lottery	889,057	-	-	889,057
Categorical aid programs	338,020	-	2,426	340,446
Local:				
Interest	34,565	119,349	17,500	171,414
Special education	35,105	-	-	35,105
Miscellaneous	351,420	-	5,528	356,948
Total	<u>\$ 3,076,176</u>	<u>\$ 119,349</u>	<u>\$ 56,546</u>	<u>\$ 3,252,071</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 4 - FUND BALANCES

At June 30, 2015, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Stores inventories	28,850	-	-	37,842	66,692
Total Nonspendable	118,850	-	-	37,842	156,692
Restricted:					
Categorical programs	1,067,708	-	-	178,475	1,246,183
Capital projects	-	36,374,054	-	5,867,772	42,241,826
Debt service	-	-	7,339,781	-	7,339,781
Total Restricted	1,067,708	36,374,054	7,339,781	6,046,247	50,827,790
Assigned:					
Future text book adoption	256,718	-	-	-	256,718
Future district facilities	-	532	-	-	532
Medi-Cal	4,077	-	-	-	4,077
Deferred maintenance program	604,681	-	-	-	604,681
Routine maintenance account	294,417	-	-	-	294,417
School site carryovers	613,411	-	-	-	613,411
Technology	500,000	-	-	-	500,000
SELPA	300,000	-	-	-	300,000
Child development program	-	-	-	451,340	451,340
Cafeteria program	-	-	-	6,753	6,753
Total Assigned	2,573,304	532	-	458,093	3,031,929
Unassigned:					
Reserve for economic uncertainties	2,730,835	-	-	-	2,730,835
Remaining unassigned balances	4,726,895	-	-	-	4,726,895
Total Unassigned	7,457,730	-	-	-	7,457,730
Total	\$ 11,217,592	\$ 36,374,586	\$ 7,339,781	\$ 6,542,182	\$ 61,474,141

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2015

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance, July 1, 2014	Additions	Retirements	Balance, June 30, 2015
Capital assets not being depreciated:				
Land	\$ 1,711,208	\$ -	\$ -	\$ 1,711,208
Construction in progress	42,826,906	3,675,267	11,439,860	35,062,313
Total capital assets not being depreciated	<u>44,538,114</u>	<u>3,675,267</u>	<u>11,439,860</u>	<u>36,773,521</u>
Capital assets being depreciated:				
Improvement of sites	13,894,905	12,297,903	-	26,192,808
Buildings	136,313,518	57,514	-	136,371,032
Equipment	9,246,288	1,166,842	12,012	10,401,118
Total capital assets being depreciated	<u>159,454,711</u>	<u>13,522,259</u>	<u>12,012</u>	<u>172,964,958</u>
Accumulated depreciation for:				
Improvement of sites	(5,154,238)	(1,155,571)	-	(6,309,809)
Buildings	(46,703,720)	(4,815,449)	-	(51,519,169)
Equipment	(6,563,382)	(531,731)	(12,012)	(7,083,101)
Total accumulated depreciation	<u>(58,421,340)</u>	<u>(6,502,751)</u>	<u>(12,012)</u>	<u>(64,912,079)</u>
Total capital assets being depreciated, net	<u>101,033,371</u>	<u>7,019,508</u>	<u>-</u>	<u>108,052,879</u>
Governmental activity capital assets, net	<u>\$ 145,571,485</u>	<u>\$ 10,694,775</u>	<u>\$ 11,439,860</u>	<u>\$ 144,826,400</u>

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

Instruction	\$ 6,083,179
School Site Administration	6,841
Home-to-School Transportation	146,494
Food Services	7,332
All Other Pupil Services	793
Ancillary Services	823
Community Services	4,898
All Other General Administration	80,542
Centralized Data Processing	56,040
Plant Services	<u>115,809</u>
Total	<u>\$ 6,502,751</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 6 - GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2015, were as follows:

	Balance, July 1, 2014*	Additions	Deductions	Balance, June 30, 2015	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 129,392,395	\$ 25,255,000	\$ 27,075,000	\$ 127,572,395	\$ 2,710,000
Accreted interest	988,682	299,987	-	1,288,669	-
Unamortized issuance premium	6,639,939	2,194,674	1,646,483	7,188,130	458,072
Total - General Obligation Bonds	137,021,016	27,749,661	28,721,483	136,049,194	3,168,072
Certificates of Participation:					
Principal payments	1,167,806	-	225,711	942,095	211,971
Accreted interest	1,335,188	368,053	623,783	1,079,458	635,634
Total - COPs	2,502,994	368,053	849,494	2,021,553	847,605
Capital leases	261,290	88,209	69,988	279,511	80,478
Compensated absences	1,295,732	61,009	-	1,356,741	-
Early retirement incentive	1,003,309	1,045,048	628,816	1,419,541	846,664
Other postemployment benefits	5,904,905	929,507	-	6,834,412	-
Net pension liability	80,988,961	-	16,185,837	64,803,124	-
Totals	\$ 228,978,207	\$ 30,241,487	\$ 46,455,618	\$ 212,764,076	\$ 4,942,819

*The beginning balance has been restated for the Net Pension Liability in accordance with GASB 68.

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

A. General Obligation Bonds

Measure "C"

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

Measure "AB"

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

A portion of the Measure AB bonds is designated "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, 2015

NOTE 6 - GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Measure "AB" (continued)

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

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

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. Deferred amounts on refunding as of June 30, 2015, of \$2,270,463 remain to be amortized.

2014 General Obligation Refunding Bonds

On October 2, 2014, the District issued \$25,255,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2015 through August 1, 2031. The net proceeds of \$27,201,109 (after premiums of \$2,194,674 and issuance costs of \$248,565) were used to advance refund a portion of the District's outstanding General Obligation Bonds Series, Election of 2004, Series B.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2015, of \$983,202 remain to be amortized. As of June 30, 2015, the principal balance outstanding on the defeased debt amounted to \$25,025,000.

The refunding decreased the District's total debt service payments by \$3,102,004. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$2,382,110.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2015

NOTE 6 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2014	Additions	Deductions	Balance, June 30, 2015
<i>Election of 2004 (Measure C)</i>								
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 999,790	\$ -	\$ 775,000	\$ 224,790
2004 B	12/20/2006	8/1/2031	3.625%-5.0%	26,360,000	25,875,000	-	25,225,000	650,000
<i>Election of 2008 (Measure AB)</i>								
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	2,990,000	-	200,000	2,790,000
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	16,292,605	-	300,000	15,992,605
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	9,045,000	-	575,000	8,470,000
2008 C	3/27/2014	8/1/2038	4.0%-5.0%	27,300,000	27,300,000	-	-	27,300,000
<i>Refunding Bonds</i>								
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	22,290,000	-	-	22,290,000
2014 Ref.	10/2/2014	8/1/2031	2.0%-5.0%	25,255,000	-	25,255,000	-	25,255,000
				\$ 187,702,395	\$ 129,392,395	\$ 25,255,000	\$ 27,075,000	\$ 127,572,395

	Accreted Interest	Balance, July 1, 2014	Additions	Deductions	Balance, June 30, 2015
2004 A	\$ 181,450	\$ 181,450	\$ 26,038	\$ -	\$ 207,488
2008 A	558,398	558,398	168,352	-	726,750
2008 B	248,834	248,834	105,597	-	354,431
	\$ 988,682	\$ 988,682	\$ 299,987	\$ -	\$ 1,288,669

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2015, were as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 2,710,000	\$ 6,266,223	\$ 8,976,223
2016-2017	2,350,000	6,191,823	8,541,823
2017-2018	2,625,000	6,128,423	8,753,423
2018-2019	2,930,000	6,058,048	8,988,048
2019-2020	2,645,910	5,963,098	8,609,008
2020-2025	20,504,090	27,377,735	47,881,825
2025-2030	34,209,790	20,769,298	54,979,088
2030-2035	31,227,605	15,119,550	46,347,155
2035-2039	28,370,000	3,232,913	31,602,913
Total	\$ 127,572,395	\$ 97,107,111	\$ 224,679,506

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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 6 - GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

The refunding certificates had interest rates ranging between 2.5% and 4.5% and fully matured on May 1, 2010. At June 30, 2015, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$942,095, in addition to \$1,079,458 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2015, were as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 211,971	\$ 635,634	\$ 847,605
2016-2017	199,214	647,123	846,337
2017-2018	187,438	658,597	846,035
2018-2019	176,643	670,455	847,098
2019-2020	166,829	683,171	850,000
Total	\$ 942,095	\$ 3,294,980	\$ 4,237,075

C. Capital Leases

The District has entered into lease agreements to obtain copiers valued at \$407,151 which provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's full life. Future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2015-2016	\$ 80,478	\$ 15,383	\$ 95,861
2016-2017	80,685	10,014	90,699
2017-2018	76,333	4,744	81,077
2018-2019	35,651	983	36,634
2019-2020	6,364	46	6,410
Total	\$ 279,511	\$ 31,170	\$ 310,681

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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 6 - GENERAL LONG-TERM DEBT (continued)

D. Early Retirement Incentives (continued)

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

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

Currently, 115 retirees are receiving benefits under these programs. Expenditures are recognized on a pay-as-you-go basis, as employees are paid. During the year, expenditures of \$628,816 were incurred for retiree incentives.

The estimated future liability at June 30, 2015, is \$1,419,541. 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 7 - JOINT VENTURES

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

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

Condensed audited financial information for the year ended June 30, 2014 for ASCIP and VIP is as follows:

	ASCIP	VIP
Total Assets	\$ 338,924,559	\$ 23,710,532
Total Liabilities	192,528,306	16,871,761
Fund Equity	\$ 146,396,253	\$ 6,838,771
Total Revenues	\$ 211,469,096	\$ 5,392,716
Total Expenses	199,817,601	3,137,296
Net Increase in Fund Equity	\$ 11,651,495	\$ 2,255,420

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 10 - PENSION PLANS (continued)

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

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 81,068,320	\$ 22,443,937
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 52,008,930	\$ 12,794,194
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 27,778,680	\$ 4,730,861

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plans

At June 30, 2015, the District reported a payable of \$341,952 and \$108,259 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2015.

NOTE 11 - 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*	154
Active plan members*	593
Total	747

* As of July 1, 2014, 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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (continued)

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 2014-15, the District contributed \$189,307.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$	1,198,434
Interest on net OPEB obligation		295,245
Adjustment to annual required contribution		(374,865)
Annual OPEB cost (expense)		<u>1,118,814</u>
Contributions made: Pay-as-you-go costs		<u>(189,307)</u>
Increase (decrease) in net OPEB obligation		929,507
Net OPEB obligation, beginning of year		<u>5,904,905</u>
Net OPEB obligation, end of year	\$	<u><u>6,834,412</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-15 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,118,814	16.9%	\$ 6,834,412
2014	\$ 1,231,087	7.6%	\$ 5,904,905
2013	\$ 1,173,596	15.8%	\$ 4,767,356

Funded Status and Funding Progress - OPEB Plans

As of July 1, 2014, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$10.8 million and the unfunded actuarial accrued liability (UAAL) was \$10.8 million.

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2014
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	7.0%
Discount rate	5.0%

Required Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 68,521,228	\$ 69,456,250	\$ 69,456,250	\$ -
Federal	2,878,288	3,603,674	3,513,838	(89,836)
Other State	2,636,962	3,767,300	3,821,098	53,798
Other Local	10,457,971	11,860,620	11,765,817	(94,803)
Total Revenues	84,494,449	88,687,844	88,557,003	(130,841)
Expenditures				
Current:				
Certificated Salaries	44,262,836	44,051,614	43,630,845	420,769
Classified Salaries	13,205,484	14,055,865	13,625,351	430,514
Employee Benefits	15,566,610	16,340,751	14,990,409	1,350,342
Books and Supplies	3,283,623	4,953,987	3,421,105	1,532,882
Services and Other Operating Expenditures	10,321,113	12,217,817	10,409,740	1,808,077
Capital Outlay	551,240	3,321,480	3,096,636	224,844
Intergovernmental Transfers	1,614,692	1,660,236	1,853,742	(193,506)
Total Expenditures	88,805,598	96,601,750	91,027,828	5,573,922
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,311,149)	(7,913,906)	(2,470,825)	5,443,081
Other Financing Sources and Uses				
Interfund Transfers In	500,000	500,000	-	(500,000)
All Other Financing Sources	-	-	88,209	88,209
Total Other Financing Sources and Uses	500,000	500,000	88,209	(411,791)
Net Change in Fund Balances	(3,811,149)	(7,413,906)	(2,382,616)	5,031,290
Fund Balances, July 1, 2014	9,765,100	13,600,208	13,600,208	-
Fund Balances, June 30, 2015	\$ 5,953,951	\$ 6,186,302	\$ 11,217,592	\$ 5,031,290

*On-behalf payments of \$2,248,479 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances but are not included in the actual amounts above.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

<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, 2010	\$ -	\$ 10,504,116	\$ 10,504,116	0.0%	\$ 49,285,873	21.3%
July 1, 2012	\$ -	\$ 10,702,324	\$ 10,702,324	0.0%	\$ 46,817,107	22.9%
July 1, 2014	\$ -	\$ 10,805,523	\$ 10,805,323	0.0%	\$ 55,133,792	19.6%

BONITA UNIFIED SCHOOL DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2015*

Last Ten Fiscal Years*

2014

District's proportion of the net pension liability (asset):		
CalSTRS		0.0890%
CalPERS		0.1127%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$	52,008,930
CalPERS	\$	12,794,194
District's covered-employee payroll:		
CalSTRS	\$	39,697,515
CalPERS	\$	11,907,236
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS		131.0%
CalPERS		107.4%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS		76.5%
CalPERS		83.4%

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

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Contributions
For the Fiscal Year Ended June 30, 2015

Last Ten Fiscal Years*

	<u>2014</u>
Actuarially determined contribution:	
CalSTRS	\$ 6,106,396
CalPERS	\$ 1,611,055
Contributions in relation to the actuarially determined contribution:	
CalSTRS	\$ 6,106,396
CalPERS	<u>\$ 1,611,055</u>
Contribution deficiency (excess):	
CalSTRS	<u>\$ -</u>
CalPERS	<u>\$ -</u>
District's covered-employee payroll:	
CalSTRS	\$ 39,697,515
CalPERS	\$ 11,907,236
Contributions as a percentage of covered-employee payroll:	
CalSTRS	8.25%
CalPERS	11.442%

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

Schedule of Proportionate Share of the Net Pension Liability

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

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

Schedule of Contributions

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

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

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2015, 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>
Intergovernmental Transfers	\$ 193,506

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Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2015

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

DISTRICT ADMINISTRATORS

Gary Rapkin, Ph.D.,¹
Superintendent

Curtis Frick,
Assistant Superintendent, Human Resources Development

Nanette Hall,
Assistant Superintendent, Educational Services

Ann Sparks,
Assistant Superintendent, Business Services

¹ As of July 1, 2015, Kurt Madden became the Superintendent.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2015

	Second Period Report	Annual Report
	Certificate No. (4F3AADAB)	Certificate No. (4C039B32)
Regular ADA:		
Transitional Kindergarten through Third	2,816.51	2,822.07
Fourth through Sixth	2,099.44	2,098.61
Seventh through Eighth	1,518.00	1,515.41
Ninth through Twelfth	3,296.24	3,282.63
Total Regular ADA	9,730.19	9,718.72
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	6.23	6.32
Fourth through Sixth	9.40	9.68
Seventh through Eighth	13.10	14.63
Ninth through Twelfth	44.11	45.24
Total Special Education, Nonpublic, Nonsectarian Schools	72.84	75.87
Total ADA	9,803.03	9,794.59

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2015

Grade Level	1986-87 Minutes		2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Kindergarten	36,000	35,000	46,960	180	Complied
Grade 1	50,400	49,000	50,630	180	Complied
Grade 2	50,400	49,000	50,630	180	Complied
Grade 3	50,400	49,000	50,630	180	Complied
Grade 4	54,000	52,500	56,615	180	Complied
Grade 5	54,000	52,500	56,615	180	Complied
Grade 6	54,000	52,500	58,534	180	Complied
Grade 7	54,000	52,500	58,534	180	Complied
Grade 8	54,000	52,500	58,534	180	Complied
Grade 9	64,800	63,000	65,130	180	Complied
Grade 10	64,800	63,000	65,130	180	Complied
Grade 11	64,800	63,000	65,130	180	Complied
Grade 12	64,800	63,000	65,130	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, 2015

General Fund	(Budget) ² 2016	2015 ⁵	2014	2013
Revenues and other financing sources	\$ 99,592,076	\$ 90,893,691	\$ 81,375,286	\$ 74,185,850
Expenditures	95,024,753	93,276,307	81,756,012	75,846,125
Change in fund balance (deficit)	4,567,323	(2,382,616)	(380,726)	(1,660,275)
Ending fund balance	\$ 15,784,915	\$ 11,217,592	\$ 13,600,208	\$ 13,980,934
Available Reserves ¹	\$ 6,964,410	\$ 7,457,730	\$ 10,333,429	\$ 11,762,615
Available Reserves as a percentage of Total Outgo	7.3%	8.0%	12.6%	15.5%
Total Long-Term Debt ⁴	\$ 207,821,257	\$ 212,764,076	\$ 228,978,207	\$ 120,989,411
Average Daily Attendance at P-2 ³	9,813	9,803	9,649	9,527

The General Fund balance has decreased by \$ 2,763,342 over the past two years. The fiscal year 2015-16 adopted budget projects an increase of \$4,567,323. 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 each of the past three years, but anticipates incurring an operating surplus during the 2015-16 fiscal year. Total long-term debt has increased by \$91,774,665 over the past two years.

Average daily attendance has increased by 276 over the past two years. An increase of 10 ADA is anticipated during fiscal year 2015-16.

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

² As of September, 2015.

³ Excludes Adult Education and ROC/P ADA.

⁴ As restated

⁵ On-behalf payments of \$2,248,479 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances but are not included in the actual amounts above.

BONITA UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2015*

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

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditure	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program	10.553	13390	\$ 3,647	
Especially Needy Breakfast	10.553	13390	258,259	
National School Lunch Program	10.555	13391	1,178,809	
USDA - Donated Foods	10.555	N/A	169,517	
Subtotal Child Nutrition Cluster			169,517	1,610,232
National School Lunch Program Equipment Assistance Grant	10.579	14906		19,771
Forest Reserve	10.665	10044		18,135
Total U.S. Department of Agriculture				1,648,138
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		881,187
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		222,739
English Language Acquisition Cluster				
Title III, Limited English Proficient (LEP) Program	84.365	14346	70,292	
Title III, Immigrant Education Program	84.365	15146	8,359	
Subtotal English Language Acquisition Cluster			78,651	78,651
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		51,213
Passed through SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,499,193	
Preschool Grants, Part B	84.173	13430	39,999	
Preschool Local Entitlement, Part B	84.027A	13682	56,028	
Mental Health Allocation Plan, Part B	84.027	14468	284,478	
Preschool Staff Development, Part B	84.173A	13431	403	
Subtotal Special Education (IDEA) Cluster			1,880,101	1,880,101
Total U.S. Department of Education				3,113,891
U.S. Department of Health & Human Services:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	205,825	
Medi-Cal Administrative Activities (MAA)	N/A	10060	153,885	
Subtotal Medicaid Cluster			359,710	359,710
Total U.S. Department of Health & Human Services				359,710
Total Expenditures of Federal Awards				\$ 5,121,739

BONITA UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2015

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the 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.

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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, 2015, and the related notes to the financial statements, which collectively comprise Bonita Unified School District's basic financial statements, and have issued our report thereon dated October 20, 2015.

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.



Murrieta, California
October 20, 2015



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Bonita Unified School District
San Dimas, California

Report on State Compliance

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Bonita Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2015.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupation Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2015-1.

District's Response to Finding

Bonita Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
October 20, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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, 2015. 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, 2015.

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.



Murrieta, California
October 20, 2015

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, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 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>84.027</u>	<u>Special Education Cluster (IDEA)</u>
<u>93.778</u>	<u>Medicaid Cluster</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

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2014-15.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

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 2014-15.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2015-1: CALPADS Unduplicated Pupil Counts (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted twenty-two students that were reported as qualifying for free or reduced priced meals who did not have an application on file for the 2014-15 fiscal year. This is due to the fact that the District applied the local "grace period" to the CALPADS reporting and as a result, many students in the CALPADS system are reported based on 2013-14 application data instead of 2014-15 application data. Additionally, we noted students that were incorrectly reported as qualifying for free or reduced priced meals due to the student information system not being updated to match the Child Nutrition Services internal system.

Context: We noted errors in each of the five schools we tested, for a total of 22 exceptions.

Questioned Costs: \$10,081. This amount was determined by calculating the difference between the District's original total LCFF revenues and the LCFF revenues adjusted for the decrease in the unduplicated pupil counts.

Effect: The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

School Site:	CALPADS Reported	Adjusted based on FRPM eligibility	Adjusted Total
Gladstone Elementary	184	(3)	181
J. Marion Roynon Elementary	452	(4)	448
Lone Hill Middle	371	(5)	366
Bonita High	544	(7)	537
Chaparral High	62	(3)	59
Agregate of remaining schools	2,182	-	2,182
District-wide	3,795	(22)	3,773

The enrollment count of 10,159 was not impacted as a result of the procedures performed.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-1 : CALPADS Unduplicated Pupil Counts (40000) (continued)

Recommendation: We recommend that the District work with the Child Nutrition Services department to update the CALPADS system once all applications are received. Although there is a grace period recognized at a local level, the District should update CALPADS retroactively to reflect the current year application information in the reporting software. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting, is updated to reflect the changes made in the Child Nutrition Services internal system prior to the submission of the CALPADS report.

District Response: The food services and computer information system departments found what was causing the errors in the pupil counts. They are now in sync with having the same numbers that will be reported in CALPADS.

BONITA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

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



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, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated October 20, 2015, on the financial statements of Bonita Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

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

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

Observation: During our testing of cash disbursements at **Lone Hill Middle**, our sample included disbursements that appear to be missing support proof of receipt of goods or okay to pay. Issuing payment for purchases without proper supporting documentation can provide the opportunity for the misappropriation of student funds.

Recommendation: We recommend that the site require all appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

Observation: Through inquiry and testing of cash disbursements at **Lone Hill Middle** and **San Dimas High** we noted that the sites are purchasing Lowe's gift cards and issuing cash awards. ASB funds are considered public funds because they are raised through the District's tax identification number and receive the benefit of nontaxable status. Anything that is purchased must be for goods and services that promote the students' general welfare, morale, and educational experiences.

Recommendation: We recommend that the site discontinue issuing such payments from ASB and that the site be reminded of allowable and prohibited purchases with ASB funds.

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

Nigro & Nigro, PC

Murrieta, California

October 20, 2015