

BONITA UNIFIED SCHOOL DISTRICT
LOS ANGELES COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2019



BONITA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
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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, 2019, 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 *2018-19 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, 2019, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

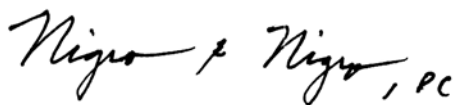
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 70 to 73 and the schedule of expenditures of federal awards on page 74 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 69 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
November 4, 2019

BONITA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2019

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT OVERVIEW

The Bonita Unified School District is a suburban school district offering instruction to students from transitional kindergarten through twelfth grade, including programs for preschool and special education. During the 2018-19 school year, the District operated eight elementary schools, two middle schools, two comprehensive high schools, and one continuation high school, on the traditional August through May schedule, for the instruction of approximately 10,000 students.

MISSION STATEMENT

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

OUR PURPOSE

Our purpose is to prepare every student to live their purpose. We do this through our core values of equity, mastery, and a focus on results.

OUR CORE VALUES

Equity is ensured through individualized support.

Mastery is evident through sustained application of skills.

Focus on Results is achieved through an intentional process driven by successful outcomes.

OUR VISION

To lead all comprehensive school districts in the region in academics, activities, athletics, and the arts.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL HIGHLIGHTS

Districtwide Financial Statements

- As of June 30, 2019, the District's overall financial condition dropped from June 30, 2018, as Net Position decreased \$6.0 million. Construction related to the District Office and the Bonita High School Stadium resulted in a large increase to capital assets. Spending down of previously received bond funds resulted in an offsetting decrease to current assets. In the liabilities section, the District's net pension liability continued to increase at a substantial rate.
- Overall revenues increased \$2.3 million, to \$125.6 million. The largest category of revenue to the District is the Local Control Funding Formula (LCFF), which makes up \$89.7 million (71.5%) of total revenues.
- Overall expenditures increased \$4.3 million, to \$131.5 million. The majority of expenditures (\$81.4 million) were for instruction and instruction-related services.
- The change in net position showed a decrease of \$6.0 million. This deficit spending is mainly due to the increase in the District's pension liability, a non-cash expenditure.
- Total District-wide expenses were \$131.5 million. Because a portion of these costs was paid for with charges, fees, and federal and state categorical programs, the net cost that required taxpayer funding was \$121.1 million.

General Fund Financial Statements

- The District's General Fund recorded a net increase to the total ending Fund Balance for the year of \$3.9 million.
- Due to a continued strong economy in the state of California, LCFF funding rates continue to increase, resulting in increased revenues to the District. Revenues in the District's Unrestricted General Fund continue to exceed expenditures, resulting in a net surplus for the year.
- Actual results were better than the original and revised operating budgets for the year. This positive variance came about primarily because of underspending across all programs.
- Revenues of \$120.3 million (\$105.3 million Unrestricted, \$15.1 million Restricted) were received.
- Expenditures of \$116.5 million (\$91.8 million Unrestricted, \$24.7 million Restricted) were made.
- A contribution for Special Education Encroachment of \$10.9 was made from the Unrestricted to the Restricted Fund.
- The net result of operations was an increase to the ending fund balance of \$3.9 million. (\$2.6 million increase in Unrestricted, \$1.3 million increase in Restricted).

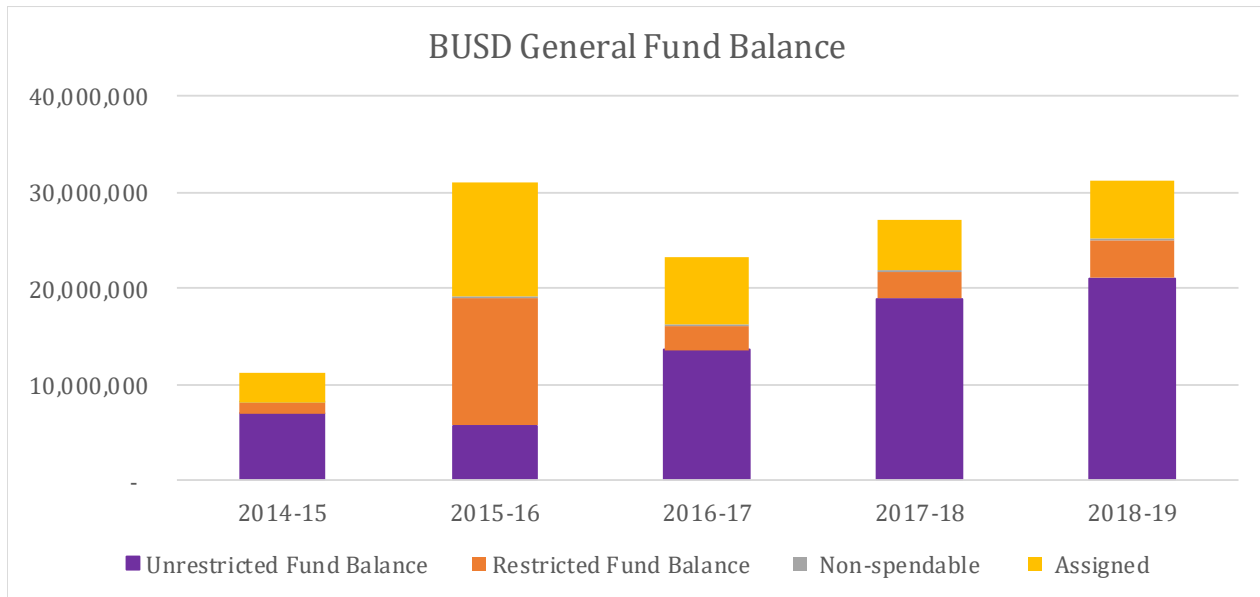
A five-year history of the District's General Fund is as follows:

	Ending Fund Balance					Net Change In Fund Balance
	Unrestricted	Non-spendable	Assigned	Restricted	Total	
2014-15	6,957,730	118,850	3,073,304	1,067,708	11,217,592	(2,382,616)
2015-16	5,747,820	135,635	11,850,600	13,231,717	30,965,772	19,748,179
2016-17	13,580,467	133,485	7,044,620	2,537,474	23,296,046	(7,669,726)
2017-18	18,916,579	142,978	5,384,245	2,738,696	27,182,498	3,886,452
2018-19	21,012,094	139,535	5,934,784	4,047,235	31,133,648	3,868,638

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL HIGHLIGHTS (continued)

General Fund Financial Statements (continued)



The Unrestricted General Fund Balance at June 30, 2019 (consisting of the Reserve for Economic Uncertainties plus Unassigned/Unappropriated amounts) was \$21,012,094. This amount was 18.8% of total General Fund expenditures. The State mandated requirement is a 3% reserve. The BUSD Board of Education has set a minimum 7% reserve requirement.

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

LCFF and Average Daily Attendance (ADA)

The majority of the District's unrestricted revenues are received from the State through the LCFF. The State switched to the LCFF funding formula from the old Revenue Limit system in the 2013-14 fiscal year. After a five-year transition period where the State funded only a portion of the LCFF goal for the year, full funding was achieved in 2018-19.

While the main drivers of the Revenue Limit were Average Daily Attendance (ADA) and State-funded Cost of Living Adjustment (COLA), LCFF added the additional factors of Unduplicated Count (UDC) percentage. The Unduplicated Percentages of Underserved Students is defined as those students enrolled in the Free and Reduced Lunch program, English Language Learners, and Foster Youth. Due to the widely differing unduplicated count percentages in different school districts, the amounts received in LCFF funding will vary widely by District will become even more disparate as time goes on.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

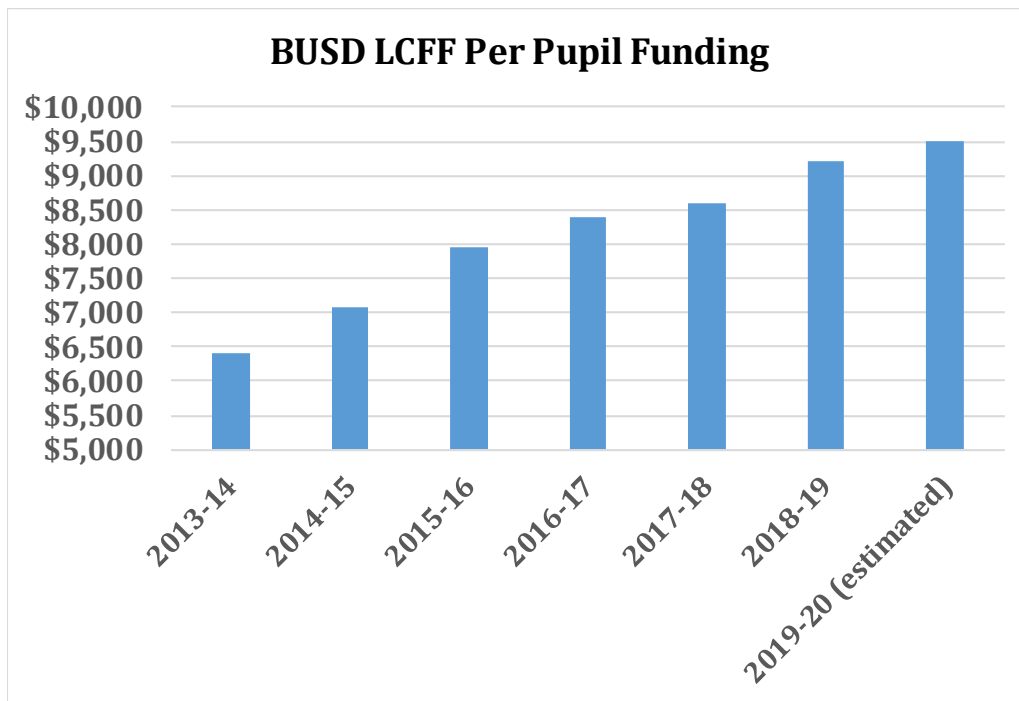
FINANCIAL HIGHLIGHTS (continued)

LCFF and Average Daily Attendance (ADA) (continued)

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

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

	Per Pupil Funding	Change	
		\$'s	%
2013-14	\$ 6,404.99		
2014-15	\$ 7,064.76	659.76	10.3%
2015-16	\$ 7,944.22	879.47	12.4%
2016-17	\$ 8,381.29	437.07	5.5%
2017-18	\$ 8,592.31	211.02	2.5%
2018-19	\$ 9,200.11	607.80	7.1%
2019-20 (estimated)	\$ 9,509.30	309.19	3.4%



BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL HIGHLIGHTS (continued)

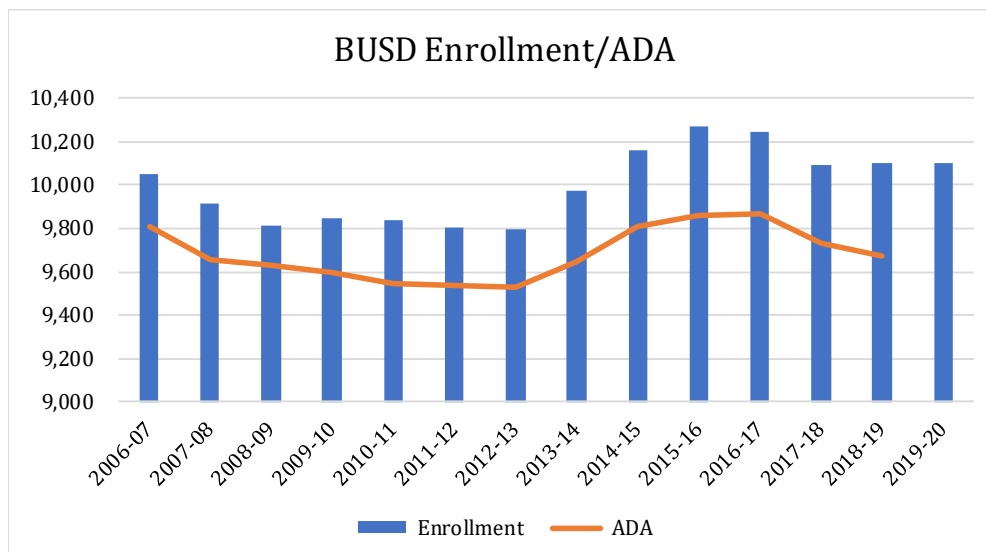
Average Daily Attendance (ADA)

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

The District's main source of funding, the Local Control Funding Formula (LCFF) is calculated based upon the District's Second Period ("P-2") ADA. If a district is in a declining enrollment situation LCFF is calculated based upon the higher, prior-year ADA. In general, the District's enrollment has been stable, fluctuating less than 475 students (5%) over the past 13 years. The District's enrollment most recently peaked in 2015-16.

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

	Enrollment	ADA
2006-07	10,053	9,810
2007-08	9,912	9,654
2008-09	9,808	9,626
2009-10	9,848	9,593
2010-11	9,841	9,549
2011-12	9,800	9,535
2012-13	9,794	9,528
2013-14	9,969	9,650
2014-15	10,160	9,806
2015-16	10,268	9,862
2016-17	10,245	9,870
2017-18	10,091	9,730
2018-19	10,101	9,671
2019-20	10,100	



BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

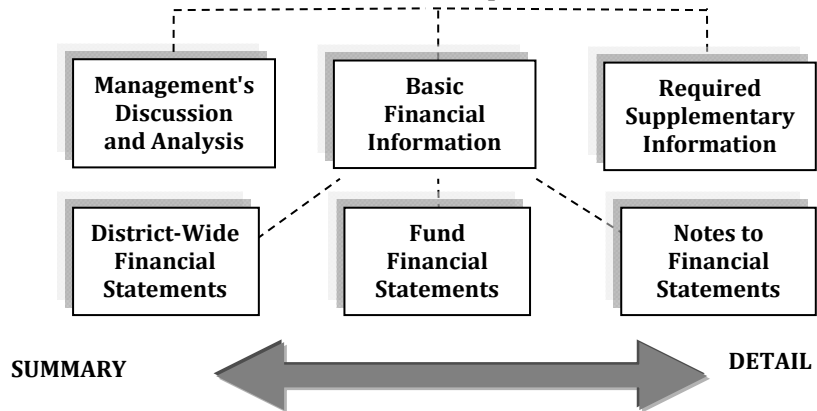
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2019

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, 2019

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, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 16.9% to \$(41.6) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Assets			
Current assets	\$ 58,053,423	\$ 62,641,705	\$ (4,588,282)
Capital assets	161,778,465	157,413,823	4,364,642
Total assets	<u>219,831,888</u>	<u>220,055,528</u>	<u>(223,640)</u>
Deferred outflows of resources	<u>34,808,004</u>	<u>35,390,853</u>	<u>(582,849)</u>
Liabilities			
Current liabilities	13,077,121	9,640,796	3,436,325
Long-term liabilities	163,740,524	166,086,565	(2,346,041)
Net pension liability	114,851,657	110,348,735	4,502,922
Total liabilities	<u>291,669,302</u>	<u>286,076,096</u>	<u>5,593,206</u>
Deferred inflows of resources	<u>4,546,184</u>	<u>4,949,286</u>	<u>(403,102)</u>
Net position			
Net investment in capital assets	27,199,071	31,277,845	(4,078,774)
Restricted	14,428,977	12,519,196	1,909,781
Unrestricted	<u>(83,203,642)</u>	<u>(79,376,042)</u>	<u>(3,827,600)</u>
Total net position	<u>\$ (41,575,594)</u>	<u>\$ (35,579,001)</u>	<u>\$ (5,996,593)</u>

Changes in net position, governmental activities. The District's total revenues increased 1.9% to \$125.6 million (See Table A-2). The increase is due primarily to increases in unrestricted state and federal aid.

The total cost of all programs and services increased 3.4% to \$131.5 million. The District's expenses are predominantly related to educating and caring for students, 71.7%. The purely administrative activities of the District accounted for just 9.1% of total costs. A significant contributor to the increase in costs was an increase in administrative and plant service costs.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Revenues			
Program Revenues:			
Charges for services	\$ 1,106,776	\$ 987,910	\$ 118,866
Operating grants and contributions	9,334,759	13,091,642	(3,756,883)
General Revenues:			
Federal and state aid not restricted	75,900,908	71,409,390	4,491,518
Property taxes	33,161,650	32,056,868	1,104,782
Other general revenues	6,047,619	5,718,030	329,589
Total Revenues	125,551,712	123,263,840	2,287,872
Expenses			
Instruction-related	81,357,919	81,934,994	(577,075)
Pupil services	12,918,840	12,025,308	893,532
Administration	11,978,586	10,220,956	1,757,630
Plant services	13,478,978	11,559,167	1,919,811
All other activities	11,813,982	11,532,782	281,200
Total Expenses	131,548,305	127,273,207	4,275,098
Increase (decrease) in net position	(5,996,593)	(4,009,367)	\$ (1,987,226)
Total net position	\$ (41,575,594)	\$ (35,579,001)	

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 \$46.9 million, which is below last year's ending fund balance of \$55.0 million. The primary cause of the decreased fund balance is spending down the Building Fund balance on capital projects.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
General Fund	\$ 27,182,498	\$ 120,262,393	\$ 116,532,621	\$ 221,378	\$ 31,133,648
Child Development Fund	10,802	2,673,175	2,621,295	-	62,682
Cafeteria Fund	382,403	3,149,431	3,124,682	-	407,152
Special Reserve Fund					
(Postemployment Benefits)	153,133	3,209	-	-	156,342
Building Fund	14,650,871	699,238	13,516,068	-	1,834,041
Capital Facilities Fund	2,074,398	455,011	137,235	-	2,392,174
Capital Outlay Fund for Blended					
Component Units	3,181,587	894,797	696,366	-	3,380,018
Bond Interest and Redemption Fund	7,332,904	9,095,083	8,897,761	-	7,530,226
	\$ 54,968,596	\$ 137,232,337	\$ 145,526,028	\$ 221,378	\$ 46,896,283

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$0.8 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.7 million. Actual revenues were \$9.4 million more than anticipated, and expenditures were \$4.9 million more than budgeted. The overage in both revenues and expenditures was primarily due in large part to STRS and PERS on-behalf amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested \$13.9 million in new capital assets, related to the improvement of sites. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was approximately \$9.5 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Land	\$ 1,711,208	\$ 1,711,208	\$ -
Improvement of sites	55,144,949	58,705,612	(3,560,663)
Buildings	85,476,236	89,603,190	(4,126,954)
Equipment	2,853,216	3,479,472	(626,256)
Construction in progress	16,592,856	3,914,341	12,678,515
Total	\$ 161,778,465	\$ 157,413,823	\$ 4,364,642

Long-Term Debt

At year-end the District had \$163.7 million in long-term debt other than pensions- a decrease of 1.4% from last year - as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
General obligation bonds	\$ 129,090,543	\$ 132,315,805	\$ (3,225,262)
Certificates of participation	351,632	729,699	(378,067)
Clean renewable energy bonds	12,168,000	12,753,000	(585,000)
Capital lease obligations	305,437	204,091	101,346
Compensated absences	1,265,582	1,241,165	24,417
Early retirement incentives	765,907	848,119	(82,212)
Other postemployment benefits	19,793,423	17,994,686	1,798,737
Total	\$ 163,740,524	\$ 166,086,565	\$ (2,346,041)

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes \$5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Bonita Unified School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BONITA UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2019*

	Total Governmental Activities
ASSETS	
Cash	\$ 52,983,213
Investments	993,988
Accounts receivable	3,966,129
Inventories	110,093
Non-depreciable assets	18,304,064
Depreciable assets	242,854,777
Less accumulated depreciation	<u>(99,380,376)</u>
Total assets	<u>219,831,888</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	3,409,422
Deferred outflows of resources - OPEB	890,677
Deferred outflows of resources - pensions	<u>30,507,905</u>
Total deferred outflows of resources	<u>34,808,004</u>
LIABILITIES	
Accounts payable	12,824,818
Unearned revenue	252,303
Long-term liabilities:	
Due or payable within one year	5,150,929
Due or payable after one year	158,589,595
Net pension liability	<u>114,851,657</u>
Total liabilities	<u>291,669,302</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources - pensions	<u>4,546,184</u>
NET POSITION	
Net investment in capital assets	27,199,071
Restricted for:	
Capital projects	2,392,174
Debt service	7,530,226
Categorical programs	4,506,577
Unrestricted	<u>(83,203,642)</u>
Total net position	<u>\$ (41,575,594)</u>

BONITA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

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	\$ 67,972,914	\$ 40,926	\$ 4,414,126	\$ (63,517,862)
Instruction-related services:				
Supervision of instruction	5,331,878	3,485	(1,145,933)	(6,474,326)
Instructional library, media and technology	1,217,551	2	(17,297)	(1,234,846)
School site administration	6,835,576	-	(163,890)	(6,999,466)
Pupil support services:				
Home-to-school transportation	2,488,305	1,884	282,786	(2,203,635)
Food services	3,017,620	943,261	1,859,473	(214,886)
All other pupil services	7,412,915	4,537	2,154,919	(5,253,459)
General administration services:				
Data processing services	3,318,377	-	-	(3,318,377)
Other general administration	8,660,209	56,934	794,294	(7,808,981)
Plant services	13,478,978	52,121	92,948	(13,333,909)
Ancillary services	1,466,714	-	(48,237)	(1,514,951)
Community services	2,535,512	-	(6,273)	(2,541,785)
Interest on long-term debt	6,648,745	-	-	(6,648,745)
Other outgo	1,163,011	3,626	1,117,843	(41,542)
Total Governmental Activities	<u>\$ 131,548,305</u>	<u>\$ 1,106,776</u>	<u>\$ 9,334,759</u>	<u>(121,106,770)</u>
General Revenues:				
Property taxes				33,161,650
Federal and state aid not restricted to specific purpose				75,900,908
Interest and investment earnings				854,982
Interagency revenues				173,291
Miscellaneous				<u>5,019,346</u>
Total general revenues				<u>115,110,177</u>
Change in net position				(5,996,593)
Net position - July 1, 2018				<u>(35,579,001)</u>
Net position - June 30, 2019				<u>\$ (41,575,594)</u>

BONITA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 34,960,923	\$ 4,311,857	\$ 7,530,226	\$ 6,180,207	\$ 52,983,213
Investments	993,988	-	-	-	993,988
Accounts receivable	3,013,461	471,323	-	308,533	3,793,317
Inventories	49,535	-	-	60,558	110,093
Total Assets	<u>\$ 39,017,907</u>	<u>\$ 4,783,180</u>	<u>\$ 7,530,226</u>	<u>\$ 6,549,298</u>	<u>\$ 57,880,611</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 7,628,917	\$ 2,949,139	\$ -	\$ 153,969	\$ 10,732,025
Unearned revenue	99,000	-	-	153,303	252,303
Total Liabilities	<u>7,727,917</u>	<u>2,949,139</u>	<u>-</u>	<u>307,272</u>	<u>10,984,328</u>
Fund Balances					
Nonspendable	139,535	-	-	60,558	200,093
Restricted	4,047,235	1,834,041	7,530,226	6,170,976	19,582,478
Assigned	6,091,126	-	-	10,492	6,101,618
Unassigned	21,012,094	-	-	-	21,012,094
Total Fund Balances	<u>31,289,990</u>	<u>1,834,041</u>	<u>7,530,226</u>	<u>6,242,026</u>	<u>46,896,283</u>
Total Liabilities and Fund Balances	<u>\$ 39,017,907</u>	<u>\$ 4,783,180</u>	<u>\$ 7,530,226</u>	<u>\$ 6,549,298</u>	<u>\$ 57,880,611</u>

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

Total fund balances - governmental funds \$ 46,896,283

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

Capital assets at historical cost:	261,158,841	
Accumulated depreciation:	<u>(99,380,376)</u>	
Net:		161,778,465

In governmental funds, interest subsidies received from Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were: 172,812

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 3,409,422

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: (2,092,793)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

General obligation bonds	129,090,543	
Certificates of participation	351,632	
Capital leases	305,437	
Compensated absences	1,265,582	
Early retirement incentive	765,907	
Clean Renewable Energy Bonds	12,168,000	
Other postemployment benefits	<u>19,793,423</u>	(163,740,524)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (114,851,657)

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

Deferred outflows - related to OPEB	890,677
-------------------------------------	---------

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

Deferred outflows - related to pensions	30,507,905
Deferred inflows - related to pensions	<u>(4,546,184)</u>

Total net position - governmental activities \$ (41,575,594)

BONITA UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 89,740,312	\$ -	\$ -	\$ -	\$ 89,740,312
Federal sources	3,576,399	-	991,751	1,918,892	6,487,042
Other state sources	14,159,119	-	59,524	276,409	14,495,052
Other local sources	12,789,772	699,238	8,043,808	4,977,113	26,509,931
Total Revenues	120,265,602	699,238	9,095,083	7,172,414	137,232,337
EXPENDITURES					
Current:					
Instruction	67,297,737	-	-	-	67,297,737
Instruction-Related Services:					
Supervision of instruction	8,825,416	-	-	141	8,825,557
Instructional library, media and technology	1,083,266	-	-	-	1,083,266
School site administration	6,882,131	-	-	-	6,882,131
Pupil Support Services:					
Home-to-school transportation	2,222,014	-	-	-	2,222,014
Food services	182	-	-	2,826,349	2,826,531
All other pupil services	7,820,117	-	-	8,091	7,828,208
Ancillary services	1,523,535	-	-	-	1,523,535
Community services	81,885	-	-	2,197,381	2,279,266
General Administration Services:					
Data processing services	2,293,940	-	-	-	2,293,940
Other general administration	5,354,021	-	-	-	5,354,021
Plant services	9,023,353	30,592	-	1,088,305	10,142,250
Transfers of indirect costs	(322,076)	-	-	322,076	-
Capital Outlay	1,605,041	13,485,476	-	137,235	15,227,752
Intergovernmental Transfers	1,163,011	-	-	-	1,163,011
Debt Service:					
Principal	881,675	-	2,960,000	-	3,841,675
Interest	797,373	-	5,937,761	-	6,735,134
Total Expenditures	116,532,621	13,516,068	8,897,761	6,579,578	145,526,028
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,732,981	(12,816,830)	197,322	592,836	(8,293,691)
OTHER FINANCING SOURCES (USES)					
Issuance of debt - capital leases	221,378	-	-	-	221,378
Total Other Financing Sources and Uses	221,378	-	-	-	221,378
Net Change in Fund Balances	3,954,359	(12,816,830)	197,322	592,836	(8,072,313)
Fund Balances, July 1, 2018	27,335,631	14,650,871	7,332,904	5,649,190	54,968,596
Fund Balances, June 30, 2019	\$ 31,289,990	\$ 1,834,041	\$ 7,530,226	\$ 6,242,026	\$ 46,896,283

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, 2019

Total net change in fund balances - governmental funds \$ (8,072,313)

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	13,910,219	
Depreciation expense	<u>(9,545,577)</u>	
Net:		4,364,642

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,841,675

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: (221,378)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is: (285,929)

In governmental funds, accreted interest is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest accrued during the year and accreted interest paid is: (88,000)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 554,686

In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employers contributions was: (1,297,414)

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: 47,705

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: 57,795

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (4,898,062)

Change in net position of governmental activities \$ (5,996,593)

BONITA UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
ASSETS			
Cash	\$ 531,957	\$ 851,815	\$ 1,383,772
Accounts receivable	-	562	562
Inventories - supplies and materials	-	28,670	28,670
Web store clearing	-	3,237	3,237
Total assets	<u>\$ 531,957</u>	<u>\$ 884,284</u>	<u>\$ 1,416,241</u>
LIABILITIES			
Due to regulatory agencies	\$ 531,957	\$ -	\$ 531,957
Accounts payable	-	17	17
Due to student groups	-	884,267	884,267
Total liabilities	<u>\$ 531,957</u>	<u>\$ 884,284</u>	<u>\$ 1,416,241</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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, 2019

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 is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Special Reserve Fund for Postemployment Benefits which does not meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

Payroll Clearance Fund: This fund is used to record dedicated funds for payroll and related expenses.

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

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.

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.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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)

Asset Class	Examples	Estimated Useful Life in Years
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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

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

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

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Pensions

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

9. Fund Balances

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

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

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

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.

10. Net Position

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

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

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

1. (continued)

Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

1. (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, are reported at fair value and consisted of the following:

	<u>Governmental Activities/Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 52,893,213	\$ 531,957
Deposits:		
Cash on hand and in banks	-	851,815
Cash in revolving fund	90,000	-
Total deposits	<u>90,000</u>	<u>851,815</u>
Total cash	<u>\$ 52,983,213</u>	<u>\$ 1,383,772</u>
Investments:		
U.S. Bank First American Treasury Obligations	<u>Rating</u> AA	<u>\$ 993,988</u>

Investment security ratings reported as of June 30, 2019, 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, 2019, 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, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

As of June 30, 2019, \$179,045 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, 2019, 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	\$ 993,988	\$ 993,988	\$ -

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, 2019, 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, 2019, the District had the following investments that represents more than five percent of the District's net investments.

First America Treasury Obligations	
U.S. Bank First American Treasury Obligations	100%

Fair Value Measurements

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

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

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government:				
Categorical aid programs	\$ 1,924,137	\$ -	\$ 257,851	\$ 2,181,988
State Government:				
Lottery	488,781	-	-	488,781
Categorical aid programs	173,325	-	17,898	191,223
Local:				
Interest	218,837	34,223	32,784	285,844
All other local sources	208,381	437,100	-	645,481
Total	<u>\$ 3,013,461</u>	<u>\$ 471,323</u>	<u>\$ 308,533</u>	<u>\$ 3,793,317</u>

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 4 - FUND BALANCES

At June 30, 2019, 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	49,535	-	-	60,558	110,093
Total Nonspendable	139,535	-	-	60,558	200,093
Restricted:					
Categorical programs	4,047,235	-	-	336,102	4,383,337
Capital projects	-	1,834,041	-	5,772,192	7,606,233
Child development program	-	-	-	62,682	62,682
Debt service	-	-	7,530,226	-	7,530,226
Total Restricted	4,047,235	1,834,041	7,530,226	6,170,976	19,582,478
Assigned:					
School site carryovers	1,032,118	-	-	-	1,032,118
E-rate carryover	100,000	-	-	-	100,000
Donations/ASB abatements	328,289	-	-	-	328,289
Additional board required reserve	4,474,377	-	-	-	4,474,377
Other assignments	156,342	-	-	10,492	166,834
Total Assigned	6,091,126	-	-	10,492	6,101,618
Unassigned:					
Reserve for economic uncertainties	3,355,782	-	-	-	3,355,782
Remaining unassigned balances	17,656,312	-	-	-	17,656,312
Total Unassigned	21,012,094	-	-	-	21,012,094
Total	\$ 31,289,990	\$ 1,834,041	\$ 7,530,226	\$ 6,242,026	\$ 46,896,283

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 1,711,208	\$ -	\$ -	\$ 1,711,208
Construction in progress	3,914,341	12,678,515	-	16,592,856
Total capital assets not being depreciated	<u>5,625,549</u>	<u>12,678,515</u>	<u>-</u>	<u>18,304,064</u>
Capital assets being depreciated:				
Improvement of sites	73,382,398	53,757	-	73,436,155
Buildings	155,402,125	986,307	-	156,388,432
Equipment	12,838,550	191,640	-	13,030,190
Total capital assets being depreciated	<u>241,623,073</u>	<u>1,231,704</u>	<u>-</u>	<u>242,854,777</u>
Accumulated depreciation for:				
Improvement of sites	(14,676,786)	(3,614,420)	-	(18,291,206)
Buildings	(65,798,935)	(5,113,261)	-	(70,912,196)
Equipment	(9,359,078)	(817,896)	-	(10,176,974)
Total accumulated depreciation	<u>(89,834,799)</u>	<u>(9,545,577)</u>	<u>-</u>	<u>(99,380,376)</u>
Total capital assets being depreciated, net	<u>151,788,274</u>	<u>(8,313,873)</u>	<u>-</u>	<u>143,474,401</u>
Governmental activity capital assets, net	<u>\$ 157,413,823</u>	<u>\$ 4,364,642</u>	<u>\$ -</u>	<u>\$ 161,778,465</u>

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

Instruction	\$ 5,703,165
School Site Administration	19,408
Home-to-School Transportation	121,445
Food Services	50,694
Ancillary Services	2,247
Community Services	634
All Other General Administration	1,839,905
Centralized Data Processing	832,089
Plant Services	<u>975,990</u>
Total	<u>\$ 9,545,577</u>

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 122,834,790	\$ -	\$ 2,960,000	\$ 119,874,790	\$ 2,675,910
Accreted interest	1,647,932	289,424	-	1,937,356	644,090
Unamortized issuance premium	7,833,083	-	554,686	7,278,397	554,685
Total - General Obligation Bonds	132,315,805	289,424	3,514,686	129,090,543	3,874,685
Certificates of Participation:					
Principal payments	343,472	-	176,643	166,829	166,829
Accreted interest	386,227	469,032	670,456	184,803	184,803
Total - COPs	729,699	469,032	847,099	351,632	351,632
Clean renewal energy bonds	12,753,000	-	585,000	12,168,000	617,000
Capital leases	204,091	221,378	120,032	305,437	114,780
Compensated absences	1,241,165	24,417	-	1,265,582	-
Early retirement incentive	848,119	146,625	228,837	765,907	192,832
Other postemployment benefits	17,994,686	2,227,687	428,950	19,793,423	-
Totals	\$ 166,086,565	\$ 3,378,563	\$ 5,724,604	\$ 163,740,524	\$ 5,150,929

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

A. General Obligation Bonds

Measure "C"

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

Measure "AB"

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

A portion of the Measure AB bonds is designated as "Qualified School Construction Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 (the "Recovery Act").

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

Measure "AB" (continued)

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

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

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, \$40.3 million of bonds outstanding are considered defeased.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2019, deferred amounts on refunding were \$3,409,422.

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, 2018	Additions	Deductions	Balance, June 30, 2019
Election of 2004 (Measure C)								
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 224,790	\$ -	\$ -	\$ 224,790
Election of 2008 (Measure AB)								
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	1,465,000	-	500,000	965,000
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	6,655,000	-	840,000	5,815,000
2008 C	3/27/2014	8/1/2038	4.0%-5.0%	27,300,000	27,300,000	-	-	27,300,000
Refunding Bonds								
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	19,430,000	-	1,160,000	18,270,000
2014 Ref.	10/2/2014	8/1/2031	2.0%-5.0%	25,255,000	24,520,000	-	430,000	24,090,000
2016 Ref.	3/1/2016	8/1/2037	2.0%-5.0%	19,315,000	19,180,000	-	30,000	19,150,000
2016 Ref. B	8/11/2016	8/1/2034	2.0%-4.0%	24,060,000	24,060,000	-	-	24,060,000
					<u>\$ 122,834,790</u>	<u>\$ -</u>	<u>\$ 2,960,000</u>	<u>\$ 119,874,790</u>
					Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
Accreted Interest					\$ 296,050	\$ 33,384	\$ -	\$ 329,434
2008 A					1,351,882	256,040	-	1,607,922
					<u>\$ 1,647,932</u>	<u>\$ 289,424</u>	<u>\$ -</u>	<u>\$ 1,937,356</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2019, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-2020	\$ 2,675,910	\$ 5,628,644	\$ 8,304,554
2020-2021	2,985,490	5,582,664	8,568,154
2021-2022	3,308,600	5,524,154	8,832,754
2022-2023	4,435,000	4,409,794	8,844,794
2023-2024	4,860,000	4,254,469	9,114,469
2024-2029	31,039,790	18,164,442	49,204,232
2029-2034	37,255,000	9,742,281	46,997,281
2034-2039	33,315,000	3,879,011	37,194,011
	<u>\$ 119,874,790</u>	<u>\$ 57,185,459</u>	<u>\$ 177,060,249</u>

B. Certificates of Participation

On June 1, 1993, the District issued \$9,558,832 Certificates of Participation pursuant to a lease agreement with the California School Boards Association Finance Corporation for the purposes of redeeming outstanding revenue bonds, to fund a project fund for \$450,000, and to pay issuance costs. The certificates were issued as follows: Serial Certificates of \$3,735,000 with stated interest rates ranging between 2.80% and 5.25% and maturing between May 1, 1994 and 2007, Term Certificates of \$3,605,000 with a stated interest rate of 5.625% and due May 1, 2010, and Term Capital Appreciation Certificates of \$2,218,832 with a stated interest rate of 6.15% and due May 1, 2020.

On July 2, 2003, the District issued \$5,020,000 Refunding Certificates of Participation through the California School Boards Association Finance Corporation. The certificates were issued primarily to refund the outstanding balance on the 1993 certificates. Of the proceeds of the refunding certificates, the trustee placed \$5,020,452 into an account to prepay the outstanding \$4,800,000 of Current Interest 1993 Certificates on August 15, 2007.

The refunding certificates had interest rates ranging between 2.5% and 4.5% and fully matured on May 1, 2010. At June 30, 2019, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$166,829, in addition to \$184,803 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2019, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-2020	<u>\$ 166,829</u>	<u>\$ 683,171</u>	<u>\$ 850,000</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Clean Renewable Energy Bonds (CREBs)

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

The annual requirements to amortize clean renewable energy bonds outstanding as of June 30, 2019, were as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	\$ 617,000	\$ 436,460	\$ 1,053,460
2020-2021	650,000	413,744	1,063,744
2021-2022	690,000	389,766	1,079,766
2022-2023	725,000	364,381	1,089,381
2023-2024	762,000	337,706	1,099,706
2024-2029	4,400,000	1,239,580	5,639,580
2029-2033	4,324,000	362,137	4,686,137
Total	<u>\$ 12,168,000</u>	<u>\$ 3,543,774</u>	<u>\$ 15,711,774</u>

D. Capital Leases

The District has entered into lease agreements to obtain copiers valued at \$550,137 which provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's full life. Future minimum lease payments are as follows:

Fiscal Year	Principal	Interest	Total
2019-2020	\$ 114,780	\$ 1,944	\$ 116,724
2020-2021	82,617	539	83,156
2021-2022	49,583	21	49,604
2022-2023	40,246	-	40,246
2023-2024	18,211	-	18,211
Total	<u>\$ 305,437</u>	<u>\$ 2,504</u>	<u>\$ 307,941</u>

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

E. Early Retirement Incentives

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

Currently, 104 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 \$228,837 were incurred for retiree incentives.

The estimated future liability at June 30, 2019, is \$765,907. This was estimated by multiplying the number of retirees receiving benefits by the annual payment for each retiree and by the number of years remaining of eligibility.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>Pension Plan</u>	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 19,256,428	\$ 890,677	\$ -	\$ 1,726,364
MPP Program	536,995	-	-	(54,200)
Total	<u>\$ 19,793,423</u>	<u>\$ 890,677</u>	<u>\$ -</u>	<u>\$ 1,672,164</u>

The details of each plan are as follows:

District Plan

Plan description

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

Benefits provided

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

- Retirees age 55 with at least 10 years of service, who were designated as Teachers or Management (Certificated) and enrolled in one of the CalPERS health plans at retirement will be offered a lifetime subsidy (\$128 per month in 2017, \$133 per month in 2018, \$136 per month in 2019) from the District.
- Retirees age 50 with at least 10 years of service, who were designated as Classified or Management (Non-teaching) and enrolled in one of the CalPERS health plans at retirement will be offered a lifetime subsidy (\$128 per month in 2017, \$133 per month in 2018, \$136 per month in 2019) from the District.

Employees covered by benefit terms

At July 1, 2017, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The District’s total OPEB liability of \$19,256,428 for the Plan was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Salary increases	2.75%
Healthcare cost trend rates	3.50%
Retirees' share of benefit-related costs	Any healthcare costs above the monthly subsidy must be paid by the retiree

Discount Rate

The discount rate under GASB 75 is required to be a blend of the long-term expected rate of return (ROR) to the extent funded and the 20-year municipal bond rate. Specifically, an initial projection is made using the ROR on irrevocable OPEB plan assets and, as long as the plan's net position and projected contributions associated with current participants are expected to fully cover projected benefit payments (including expenses), this long-term rate may be used. For years in which the net position is not projected to cover projected benefit payments, the discount rate used is equal to the 20-year municipal bond yield. A single discount rate is then determined as a blend of the two rates, which produces the same discounted present value of benefits as the dual rate calculation. Since the OPEB is not funded through an irrevocable trust, the municipal bond rate was selected for all years. As of June 30, 2018, a rate of 2.98% was used. As of June 30, 2019, a rate of 2.79% was used.

Mortality Rates

Mortality rates are based on the expectation that future experience under the plan will be materially consistent with the assumptions utilized in the CalSTRS and CalPERS valuations. CalSTRS mortality rates are from the 2015 experience study and the CalPERS mortality rates are from the 2017 experience study. This assumption continues to be reasonable for the 2018/2019 fiscal year valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 17,403,491
Changes for the year:	
Service cost	1,073,435
Interest	545,070
Changes of assumptions	609,182
Benefit payments	(374,750)
Net changes	1,852,937
Balance at June 30, 2019	\$ 19,256,428

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

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

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

Discount Rate	OPEB Liability
1% decrease (1.79%)	\$ 22,938,880
Current discount rate (2.79%)	\$ 19,256,428
1% increase (3.79%)	\$ 16,322,866

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease (2.50%)	\$ 15,921,332
Current rate (3.50%)	\$ 19,256,428
1% increase (4.50%)	\$ 23,622,624

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,726,364. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 890,677	\$ -
Total	\$ 890,677	\$ -

The deferred outflows of resources related to the changes of assumptions in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 9.63 years.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources
2020	\$ 107,859
2021	107,859
2022	107,859
2023	107,859
2024	107,859
Thereafter	351,382
Total	<u>\$ 890,677</u>

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability

At June 30, 2019, the District reported a liability of \$536,995 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net OPEB Liability	0.140292%	0.140524%	-0.000232%

For the year ended June 30, 2019, the District reported OPEB expense of \$(54,200).

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459, or an average of 0.27 percent of the potentially eligible population (171,593).

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial assumptions and other inputs (continued)

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer’s 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

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

<u>Discount Rate</u>	<u>MPP OPEB Liability</u>
1% decrease (2.87%)	\$ 593,942
Current discount rate (3.87%)	\$ 536,995
1% increase (4.87%)	\$ 485,574

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 6 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

F. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Medicare costs trend rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)		\$ 489,685
Current rate (3.7% Part A and 4.1% Part B)		\$ 536,995
1% increase (4.7% Part A and 5.1% Part B)		\$ 587,875

NOTE 7 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 81,993,332	\$ 21,106,682	\$ 4,546,184	\$ 11,189,913
CalPERS	32,858,325	9,401,223	-	6,519,327
Total	<u>\$ 114,851,657</u>	<u>\$ 30,507,905</u>	<u>\$ 4,546,184</u>	<u>\$ 17,709,240</u>

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$8,114,538.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 7 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS)

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District’s proportionate share of net pension liability	\$	81,993,332
State’s proportionate share of the net pension liability associated with the District		<u>46,945,017</u>
Total	\$	<u><u>128,938,349</u></u>

The net pension liability was measured as of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District’s proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.089213%	0.088291%	0.000922%

For the year ended June 30, 2019, the District recognized pension expense of \$11,189,913. In addition, the District recognized pension expense and revenue of \$1,600,815 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 8,114,538	\$ -
Net change in proportionate share of net pension liability	-	197,924
Difference between projected and actual earnings on pension plan investments	-	3,157,261
Changes of assumptions	12,737,886	-
Differences between expected and actual experience	254,258	1,190,999
Total	<u>\$ 21,106,682</u>	<u>\$ 4,546,184</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

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

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

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,969,663
2021	1,785,801
2022	(368,702)
2023	1,756,361
2024	2,292,664
Thereafter	10,173
Total	<u>\$ 8,445,960</u>

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

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

For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

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

Discount Rate

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

Discount Rate (continued)

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 120,110,635
Current discount rate (7.10%)	81,993,332
1% increase (8.10%)	50,390,387

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$7,484,393.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

Benefits Provided

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 7 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Benefits Provided (continued)

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>Schools Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 55	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	55	62
Retirement Age	1.1%-2.5%	1.0%-2.5%
Monthly Benefits as a Percentage of Eligible Compensation	7.00%	6.50%
Required Employee Contribution Rate	18.062%	18.062%
Required Employer Contribution Rate		

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$3,095,825.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$32,858,325. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.123235%	0.120208%	0.003027%

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$6,519,327. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,095,825	\$ -
Net change in proportionate share of net pension liability	601,056	-
Difference between projected and actual earnings on pension plan investments	269,512	-
Changes of assumptions	3,280,759	-
Differences between expected and actual experience	2,154,071	-
Total	<u>\$ 9,401,223</u>	<u>\$ -</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,734,168
2021	2,511,010
2022	110,489
2023	(50,269)
2024	-
Thereafter	-
Total	<u>\$ 6,305,398</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

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

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – PENSION PLANS (continued)

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

Discount Rate (continued)

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 47,840,149
Current discount rate (7.15%)	32,858,325
1% increase (8.15%)	20,428,756

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$1,114,044.

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2019, the District reported payables of \$820,914 and \$201,315 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 8 – JOINT VENTURES

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

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – JOINT VENTURES (continued)

Condensed audited financial information of the JPA’s is shown below:

	ASCIP June 30, 2018	VIP June 30, 2018
Total Assets	\$ 454,668,010	\$ 35,097,518
Total Deferred Outflows of Resources	1,762,160	-
Total Liabilities	251,584,695	14,502,641
Total Deferred Inflows of Resources	442,840	-
	<u>\$ 204,402,635</u>	<u>\$ 20,594,877</u>
Fund Equity		
Total Revenues	\$ 261,987,745	\$ 6,496,100
Total Expenses	<u>251,547,168</u>	<u>2,442,695</u>
Net Increase in Fund Equity	<u>\$ 10,440,577</u>	<u>\$ 4,053,405</u>

NOTE 9 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District participated in the ASCIP public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2019, the District participated in the VIP JPA for workers compensation up to \$750,000 per claim self-insured retention, with excess coverage provided by the JPA's excess coverage insurance carrier, Hanover. The workers' compensation rate as a percent of salary is determined annually based on an actuarial study.

Employee Medical Benefits

For fiscal year 2019, the District had a cap of \$10,500 on employer paid health and welfare benefits. The District has contracted with the California Public Employment Retirement System (CalPERS) Health Plan and with Kaiser Permanente to provide medical and surgical benefits, and with Delta Care, Delta Dental, and United Concordia for dental benefits. Vision benefits are provided through Vision Service Plan. Disability insurance, cancer insurance, and accident insurance are also options available to employees.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of approximately \$2.97 million to be paid from bond funds.

C. Litigation

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

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Required Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget - Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF Sources	\$ 89,215,858	\$ 89,715,952	\$ 89,740,312	\$ 24,360
Federal Sources	3,228,724	4,114,684	3,576,399	(538,285)
Other State Sources	6,366,017	5,869,049	14,159,119	8,290,070
Other Local Sources	10,524,399	11,147,061	12,786,563	1,639,502
Total Revenues	109,334,998	110,846,746	120,262,393	9,415,647
Expenditures				
Current:				
Certificated Salaries	51,349,366	51,089,044	50,776,598	312,446
Classified Salaries	16,887,071	16,953,159	16,704,556	248,603
Employee Benefits	23,994,054	22,633,262	30,621,561	(7,988,299)
Books and Supplies	4,303,194	5,634,870	3,979,568	1,655,302
Services and Other Operating Expenditures	10,014,831	11,490,232	10,039,969	1,450,263
Capital Outlay	1,243,945	1,407,919	1,568,311	(160,392)
Other Outgo	2,407,985	2,440,765	2,842,058	(401,293)
Total Expenditures	110,200,446	111,649,251	116,532,621	(4,883,370)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(865,448)	(802,505)	3,729,772	4,532,277
Other Financing Sources and Uses				
Proceeds from long-term debt	-	-	221,378	221,378
Net Change in Fund Balances	(865,448)	(802,505)	3,951,150	4,753,655
Fund Balances, July 1, 2018	27,182,498	27,182,498	27,182,498	-
Fund Balances, June 30, 2019	<u>\$ 26,317,050</u>	<u>\$ 26,379,993</u>	31,133,648	<u>\$ 4,753,655</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Revenue Fund for Postemployment Benefits			156,342	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 31,289,990</u>	

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

	<i>Last Ten Fiscal Years*</i>				
	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
CalSTRS					
District's proportion of the net pension liability	<u>0.0892%</u>	<u>0.0883%</u>	<u>0.0900%</u>	<u>0.0920%</u>	<u>0.0890%</u>
District's proportionate share of the net pension liability	<u>\$ 81,993,332</u>	<u>\$ 81,651,930</u>	<u>\$ 72,792,900</u>	<u>\$ 61,938,080</u>	<u>\$ 52,008,930</u>
State's proportionate share of the net pension liability associated with the District	<u>46,945,017</u>	<u>48,304,592</u>	<u>41,445,801</u>	<u>32,758,329</u>	<u>31,405,553</u>
Totals	<u><u>\$ 128,938,349</u></u>	<u><u>\$ 129,956,522</u></u>	<u><u>\$ 114,238,701</u></u>	<u><u>\$ 94,696,409</u></u>	<u><u>\$ 83,414,483</u></u>
District's covered-employee payroll	<u>\$ 47,651,712</u>	<u>\$ 46,975,636</u>	<u>\$ 45,280,429</u>	<u>\$ 43,418,097</u>	<u>\$ 39,697,515</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>172.07%</u>	<u>173.82%</u>	<u>160.76%</u>	<u>142.65%</u>	<u>131.01%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS					
District's proportion of the net pension liability	<u>0.1232%</u>	<u>0.1202%</u>	<u>0.1200%</u>	<u>0.1236%</u>	<u>0.1127%</u>
District's proportionate share of the net pension liability	<u>\$ 32,858,325</u>	<u>\$ 28,696,804</u>	<u>\$ 23,700,074</u>	<u>\$ 18,218,762</u>	<u>\$ 12,794,194</u>
District's covered-employee payroll	<u>\$ 16,283,594</u>	<u>\$ 15,327,405</u>	<u>\$ 14,397,096</u>	<u>\$ 13,686,645</u>	<u>\$ 11,907,236</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>201.79%</u>	<u>187.23%</u>	<u>164.62%</u>	<u>133.11%</u>	<u>107.45%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

	<i>Last Ten Fiscal Years*</i>				
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
CalSTRS					
Contractually required contribution	\$ 8,114,538	\$ 6,876,142	\$ 5,909,535	\$ 4,858,590	\$ 3,855,527
Contributions in relation to the contractually required contribution	<u>8,114,538</u>	<u>6,876,142</u>	<u>5,909,535</u>	<u>4,858,590</u>	<u>3,855,527</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 49,843,602</u>	<u>\$ 47,651,712</u>	<u>\$ 46,975,636</u>	<u>\$ 45,280,429</u>	<u>\$ 43,418,097</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS					
Contractually required contribution	\$ 3,095,825	\$ 2,529,005	\$ 2,128,670	\$ 1,705,624	\$ 1,611,055
Contributions in relation to the contractually required contribution	<u>3,095,825</u>	<u>2,529,005</u>	<u>2,128,670</u>	<u>1,705,624</u>	<u>1,611,055</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 17,139,989</u>	<u>\$ 16,283,594</u>	<u>\$ 15,327,405</u>	<u>\$ 14,397,096</u>	<u>\$ 13,686,645</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

BONITA UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019*

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	\$ 1,073,435	\$ 1,106,220
Interest	545,070	520,352
Changes of assumptions or other inputs	609,182	433,954
Benefit payments	<u>(374,750)</u>	<u>(348,307)</u>
Net change in total OPEB liability	1,852,937	1,712,219
Total OPEB liability - beginning	<u>17,403,491</u>	<u>15,691,272</u>
Total OPEB liability - ending	<u><u>\$ 19,256,428</u></u>	<u><u>\$ 17,403,491</u></u>
Covered-employee payroll	<u>\$ 58,573,302</u>	<u>\$ 62,221,171</u>
Total OPEB liability as a percentage of covered- employee payroll	<u>32.88%</u>	<u>27.97%</u>

Notes to Schedule:

The discount rate was changed from 2.98% in 2017-18 to 2.79% in 2018-19.

The discount rate was changed from 5.00% in 2016-17 to 2.98% in 2017-18.

** 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 the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2019*

	<u>2018</u>	<u>2017</u>
District's proportion of net OPEB liability	<u>0.1403%</u>	<u>0.1405%</u>
District's proportionate share of net OPEB liability	<u>\$ 536,995</u>	<u>\$ 591,195</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.40%</u>	<u>0.01%</u>

Notes to Schedule:

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

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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 adoptions 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

BONITA UNIFIED SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019*

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District’s proportionate share of the net OPEB liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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Supplementary Information

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BONITA UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2019

The Bonita Unified School District was formed on December 10, 1957, and is comprised of an area of approximately 49 square miles, including the cities of La Verne and San Dimas, 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	December, 2020
Glenn Creiman	Vice President	December, 2020
Matthew Lyons	Clerk	December, 2020
Chuck Coyne	Member	December, 2022
Derek Bahmanou	Member	December, 2022

DISTRICT ADMINISTRATORS

Carl Coles,
Superintendent

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

Kevin Lee,
Assistant Superintendent, Human Resources

Matthew Wien,
Assistant Superintendent, Educational Services

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report	Annual Report
	Certificate No. (EDFF9BB4)	Certificate No. (877920B2)
Regular ADA:		
Grades TK/K-3	2,793.63	2,810.03
Grades 4-6	2,127.01	2,124.06
Grades 7-8	1,506.70	1,503.66
Grades 9-12	3,208.26	3,193.33
	<hr/>	<hr/>
Total Regular ADA	9,635.60	9,631.08
	<hr/>	<hr/>
Special Education, Nonpublic, Nonsectarian Schools:		
Grades TK/K-3	3.20	3.42
Grades 4-6	1.45	1.60
Grades 7-8	6.19	6.86
Grades 9-12	27.79	27.72
	<hr/>	<hr/>
Total Special Education, Nonpublic, Nonsectarian Schools	38.63	39.60
	<hr/>	<hr/>
Total ADA	9,674.23	9,670.68
	<hr/> <hr/>	<hr/> <hr/>

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

<u>Grade Level</u>	<u>Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	43,340	180	Complied
Grade 1	50,400	50,695	180	Complied
Grade 2	50,400	50,695	180	Complied
Grade 3	50,400	50,695	180	Complied
Grade 4	54,000	56,725	180	Complied
Grade 5	54,000	56,725	180	Complied
Grade 6	54,000	54,637	180	Complied
Grade 7	54,000	54,637	180	Complied
Grade 8	54,000	54,637	180	Complied
Grade 9	64,800	65,005	180	Complied
Grade 10	64,800	65,005	180	Complied
Grade 11	64,800	65,005	180	Complied
Grade 12	64,800	65,005	180	Complied

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund ³	(Budget) ²			
	2019	2019	2018	2017
Revenues and other financing sources	\$ 108,692,717	\$ 120,483,771	\$ 110,385,601	\$ 106,647,615
Expenditures	<u>113,878,014</u>	<u>116,532,621</u>	<u>106,499,149</u>	<u>114,317,340</u>
Change in fund balance (deficit)	<u>(5,185,297)</u>	<u>3,951,150</u>	<u>3,886,452</u>	<u>(7,669,725)</u>
Ending fund balance	<u>\$ 25,948,351</u>	<u>\$ 31,133,648</u>	<u>\$ 27,182,498</u>	<u>\$ 23,296,046</u>
Available Reserves ¹	<u>\$ 21,746,802</u>	<u>\$ 21,012,094</u>	<u>\$ 18,916,579</u>	<u>\$ 13,580,469</u>
Available Reserves as a percentage of Total Outgo	<u>19.1%</u>	<u>18.0%</u>	<u>17.8%</u>	<u>11.9%</u>
Total Long-Term Debt	<u>\$ 273,742,300</u>	<u>\$ 278,592,181</u>	<u>\$ 276,435,300</u>	<u>\$ 266,180,581</u>
Average Daily Attendance at P-2	<u>9,687</u>	<u>9,674</u>	<u>9,730</u>	<u>9,870</u>

The General Fund balance has increased by \$7,387,602 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of \$5,185,297. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in one of the past three years, and anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term debt has increased by \$12,411,598 over the past two years.

Average daily attendance has decreased by 196 over the past two years. An increase of 13 ADA is anticipated during fiscal year 2019-20.

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

² As of September, 2019.

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

BONITA UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2019*

	<u>Building Fund</u>
June 30, 2019, annual financial and budget report fund balance	\$ 2,501,087
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Accounts payable understated	<u>(667,046)</u>
June 30, 2019, audited financial statement fund balances	<u><u>\$ 1,834,041</u></u>

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditure	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program	10.553	13525	\$ 15,179	
Especially Needy Breakfast	10.553	13526	339,564	
National School Lunch Program	10.555	13523	1,356,226	
USDA - Donated Foods	10.555	13391	207,923	
Subtotal Child Nutrition Cluster				\$ 1,918,892
Forest Reserve	10.665	10044		18,669
Total U.S. Department of Agriculture				1,937,561
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	840,955	
School Improvement Funding for LEAs	84.010	15438	9,759	
Subtotal Title I Grants Cluster				850,714
Title II, Part A, Supporting Effective Instruction	84.367	14341		204,754
English Language Acquisition Cluster:				
Title III, Limited English Proficient (LEP) Program	84.365	14346	48,428	
Title III, Immigrant Education Program	84.365	15146	3,595	
Subtotal English Language Acquisition Cluster				52,023
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396		2,579
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		46,032
Workability II, Transitions Partnership Program	84.126	10006		38,857
Passed through SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,705,320	
Preschool Grants, Part B	84.173	13430	38,592	
Mental Health Allocation Plan, Part B	84.027	15197	222,876	
Preschool Staff Development, Part B	84.173A	13431	416	
Subtotal Special Education (IDEA) Cluster				1,967,204
Total U.S. Department of Education				3,162,163
U.S. Department of Health & Human Services:				
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	179,523	
Medi-Cal Administrative Activities (MAA)	93.778	10060	258,537	
Subtotal Medicaid Cluster				438,060
Total U.S. Department of Health & Human Services				438,060
Total Expenditures of Federal Awards				\$ 5,537,784

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

BONITA UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2019

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 met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 6,487,042
Differences between Federal Revenues and Expenditures:		
Qualified School Construction Bonds - Interest Subsidy	Not applicable	(991,751)
Medi-Cal Billing Option	93.778	<u>42,493</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,537,784</u>

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Other Independent Auditors' Reports

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

Board of Education
Bonita Unified School District
San Dimas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Bonita Unified School District's basic financial statements, and have issued our report thereon dated November 4, 2019.

Internal Control Over Financial Reporting

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

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

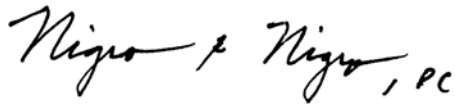
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

Murrieta, California
November 4, 2019



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

Board of Education
Bonita Unified School District
San Dimas, California

Report on Compliance for Each Major Federal Program

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bonita Unified School District's major federal programs for the year ended June 30, 2019. Bonita Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

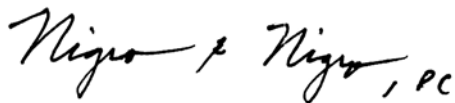
Report on Internal Control Over Compliance

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

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

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

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



Murrieta, California
November 4, 2019



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 2018-19 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, 2019.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

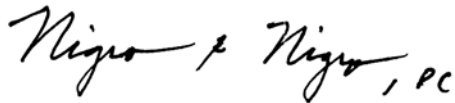
Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (Yes), Instructional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

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

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.



Murrieta, California
November 4, 2019

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, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.173A	<u>Special Education (IDEA) Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' 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, 2019

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
43000	Apprenticeship: Related and Supplemental Instruction
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 2018-19.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2018-19.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no state award findings or questioned costs in 2018-19.

BONITA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

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