

**BONITA UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2012**

BONITA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2012
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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Education
Bonita Unified School District
San Dimas, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bonita Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

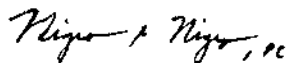
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012 on our consideration of Bonita Unified School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and budgetary comparison information and schedule of funding progress on pages 40 and 41 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bonita Unified School District's financial statements as a whole. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



December 4, 2012

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

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, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

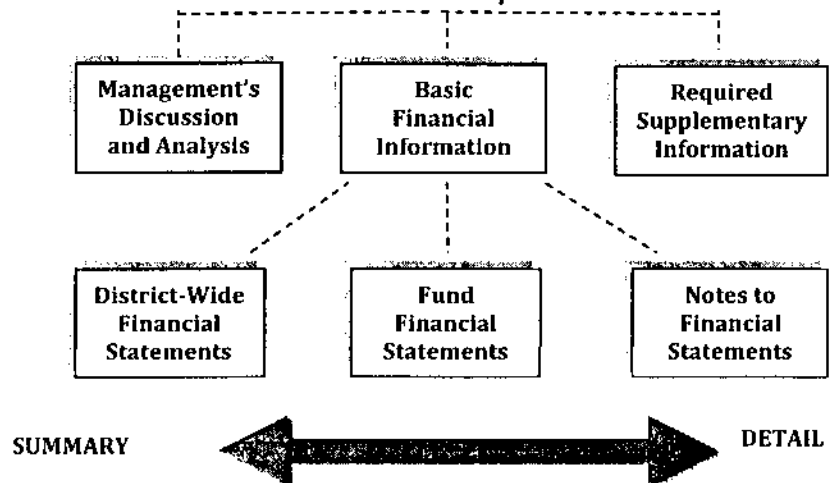
- The District's financial status decreased overall as a result of this year's operations. Net assets of governmental activities decreased by \$2.3 million, or 3.1%.
- Governmental expenses were approximately \$91.2 million. Revenues were approximately \$88.9 million.
- The District spent more than \$15.9 million on new capital assets during the year, much of which was for construction and modernization.
- The District increased its outstanding long-term debt by \$2.3 million primarily due to the issuance of refunding general obligation bonds.
- Grades K-12 average daily attendance (ADA) decreased by 14 or 0.1%.

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, 2012

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 Assets • 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 Assets
<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, 2012

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 assets 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 assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. 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, 2012

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were lower on June 30, 2012, than they were the year before - decreasing 3.1% to \$71.5 million. (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2012	2011	
Current assets	\$ 86.9	\$ 90.7	\$ (3.8)
Non-current assets	4.3	1.4	2.9
Capital assets	121.5	111.0	10.5
Total assets	212.7	203.1	9.6
Current liabilities	18.0	8.4	9.6
Long-term liabilities	123.2	120.9	2.3
Total liabilities	141.2	129.3	11.9
Net assets			
Invested in capital assets, net of related debt	54.5	59.0	(4.5)
Restricted	8.3	8.1	0.2
Unrestricted	8.7	6.7	2.0
Total net assets	\$ 71.5	\$ 73.8	\$ (2.3)

Changes in net assets, governmental activities. The District's total revenues decreased 5.0% to \$88.9 million (See Table A-2). The decrease is due primarily to a \$6.1 million State School Facilities Grant that was received in 2010-11, but not in 2011-12.

The total cost of all programs and services increased 2.0% to \$91.2 million. The District's expenses are predominantly related to educating and caring for students, 74.0%. The purely administrative activities of the District accounted for just 5.9% of total costs. A significant contributor to the increase in costs were due to the scheduled step and column increases, and an increase in statutory benefits.

Table A-2

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2012	2011	
Total Revenues	\$ 88.9	\$ 93.6	\$ (4.7)
Total Expenses	91.2	89.4	1.8
Increase (decrease) in net assets	\$ (2.3)	\$ 4.2	\$ (6.5)

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

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 \$70.5 million, which is below last year's ending fund balance of \$84.1 million. The primary cause of the decreased fund balance is due to the ongoing costs of construction and modernization.

General Fund Budgetary Highlights

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

- Revenues – increased by \$4.0 million primarily to reflect federal and state categorical funding.
- Salaries and benefits costs – increased \$1.5 million due to increased benefits costs, and with step and column increases.
- Books and supplies – increased \$0.9 million to re-budget carryover funds from the previous year.

While the District's final budget for the General Fund anticipated revenues would fall short of expenditures by about \$3.7 million, the actual results for the year show that revenues exceeded expenditures by roughly \$0.6 million. Actual revenues were \$2.2 million more than anticipated, and expenditures were \$2.0 million less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2011-12 the District invested \$15.9 million in new capital assets, including planning and architects' fees, and DSA (Department of State Architect) fees for various modernization projects. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was roughly \$5.4 million.

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

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2012	2011	
Land	\$ 1.7	\$ 1.7	\$ 0.0
Improvement of sites	3.4	2.2	1.2
Buildings	91.1	94.9	(3.8)
Equipment	2.7	2.9	(0.2)
Construction in progress	22.6	9.3	13.3
Total	\$ 121.5	\$ 111.0	\$ 10.5

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$123.2 million in general obligation bonds, certificates of participation, compensated absences, early retirement incentives, and other postemployment benefits – an increase of 1.9% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities (In millions)		Variance
	2012	2011	Increase (Decrease)
General obligation bonds	\$ 112.1	\$ 110.7	\$ 1.4
Certificates of participation	3.8	4.1	(0.3)
Compensated absences	1.2	1.1	0.1
Early retirement incentive	2.3	2.2	0.1
Other postemployment benefits	3.8	2.8	1.0
Total	\$ 123.2	\$ 120.9	\$ 2.3

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Governor signed the *2012-13 Budget Act* on June 27, 2012. Between that date and the end of August 2012, the Legislature also sent over 40 budget-related trailer bills to the Governor. The centerpiece of the budget is the assumption that voters will approve the Governor's tax initiative to temporarily increase the state SUT rate for all taxpayers and PIT rates for upper-income taxpayers. In March, the Governor introduced a revised tax initiative with lower SUT rates for all taxpayers and higher PIT rates on upper-income taxpayers, which subsequently qualified for the November ballot as Proposition 30.

K-12 Education

Spending Roughly Flat

Once the Governor's tax increase is implemented, per-pupil funding in 2012-13 will decrease slightly from \$7,598 to \$7,530, a drop of less than 1 percent from the prior year. This slight decrease is primarily due to the loss of federal "Education Jobs" funds that were available for school districts to spend in 2010-11 and 2011-12. This 2012-13 per-pupil spending level is about 9 percent less than the prerecession 2007-08 level.

Mandate Block Grant Adopted

The 2012-13 budget includes \$167 million for a new discretionary block grant for K-12 mandates. School districts, charter schools, and county offices of education (COEs) may apply for mandate block grant funding. School districts and COEs that choose to participate in the block grant are to receive \$28 per average daily attendance (ADA). In lieu of participating in the block grant, local educational agencies could continue to seek reimbursement for mandated activities through the existing mandates claiming process.

BONITA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2012

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Final Shift of Student Mental Health Service Funding

The budget plan provides an additional \$99 million to complete the shift in responsibility of student mental health services from county mental health agencies to school districts.

Various Changes to Increase Charter School Access to Facilities and Short-Term Cash

The budget package includes several changes to existing law that provide charter schools with additional access to facility space and short-term cash.

Governor Vetoes Funding for Certain K-12 Programs

In June, the Governor vetoed all funding for the Early Mental Health Initiative, for Proposition 98 savings of \$15 million. In addition, the Governor vetoed \$10 million in non-Proposition 98 funds that would have provided child nutrition funding for private schools and child care centers not eligible for the state's existing child nutrition program. The Governor also vetoed \$8.1 million in one-time Proposition 98 funding for support of regional activities and statewide administration of the Advancement Via Individual Determination program.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2012-13 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BONITA UNIFIED SCHOOL DISTRICT
Statement of Net Assets
June 30, 2012

	Total Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 64,691,087
Investments	970,580
Accounts receivable	21,183,396
Inventories	75,398
Total current assets	<u>86,920,461</u>
Non-current Assets:	
Unamortized debt issuance costs	1,516,904
Deferred charges on refunding	2,756,991
Total non-current assets	<u>4,273,895</u>
Capital Assets:	
Non-depreciable assets	24,356,230
Depreciable assets	143,867,354
Less accumulated depreciation	(46,688,447)
Total capital assets, net of depreciation	<u>121,535,137</u>
Total assets	<u>212,729,493</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	8,234,471
Deferred revenue	43,913
TRANS payable	9,754,000
Total current liabilities	<u>18,032,384</u>
Long-term Liabilities:	
Due or payable within one year	3,324,938
Due or payable after one year	119,857,075
Total long-term liabilities	<u>123,182,013</u>
Total liabilities	<u>141,214,397</u>
NET ASSETS	
Invested in capital assets, net of related debt	54,529,554
Restricted for:	
Capital projects	2,268,605
Debt service	4,865,413
Categorical programs	1,199,732
Unrestricted	8,651,792
Total net assets	<u>\$ 71,515,096</u>

BONITA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instructional Services:				
Instruction	\$ 51,163,819	\$ 8,976	\$ 9,849,082	\$ (41,305,761)
Instruction-Related Services:				
Supervision of instruction	2,702,237	1,323	1,159,954	(1,540,960)
Instructional library, media and technology	658,042	-	7,302	(650,740)
School site administration	5,248,560	-	58,473	(5,190,087)
Pupil Support Services:				
Home-to-school transportation	1,212,425	124,667	892,548	(195,210)
Food services	2,101,788	711,614	1,197,623	(192,551)
All other pupil services	4,380,768	757	1,260,769	(3,119,242)
General Administration Services:				
Data processing services	1,515,050	-	-	(1,515,050)
Other general administration	3,834,690	15,168	561,383	(3,258,139)
Plant services	7,415,394	40,406	313,375	(7,061,613)
Ancillary services	1,019,959	-	-	(1,019,959)
Community services	1,858,062	-	-	(1,858,062)
Interest on long-term debt	6,100,879	-	-	(6,100,879)
Other outgo	1,977,724	11,303	1,074,356	(892,065)
Total Governmental Activities	\$ 91,189,397	\$ 914,214	\$ 16,374,865	(73,900,318)
General Revenues:				
Property taxes				17,339,671
Federal and state aid not restricted to specific purpose				50,054,569
Interest and investment earnings				816,376
Interagency revenues				5,518
Miscellaneous				3,383,030
Total general revenues				71,599,164
Change in net assets				(2,301,154)
Net assets - July 1, 2011				73,816,250
Net assets - June 30, 2012				\$ 71,515,096

BONITA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2012

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 9,008,807	\$ 46,980,631	\$ 8,701,649	\$ 64,691,087
Investments	-	-	970,580	970,580
Accounts receivable	20,451,453	95,577	194,882	20,741,912
Inventories	52,989	-	22,409	75,398
Total Assets	\$ 29,513,249	\$ 47,076,208	\$ 9,889,520	\$ 86,478,977
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,094,076	\$ 2,937,758	\$ 115,200	\$ 6,147,034
Deferred revenue	43,913	-	-	43,913
TRANS payable	9,754,000	-	-	9,754,000
Total Liabilities	12,891,989	2,937,758	115,200	15,944,947
Fund Balances				
Nonspendable	142,989	-	22,409	165,398
Restricted	1,093,618	44,138,450	9,406,205	54,638,273
Assigned	2,663,601	-	345,706	3,009,307
Unassigned	12,721,052	-	-	12,721,052
Total Fund Balances	16,621,260	44,138,450	9,774,320	70,534,030
Total Liabilities and Fund Balances	\$ 29,513,249	\$ 47,076,208	\$ 9,889,520	\$ 86,478,977

BONITA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2012

Total fund balances - governmental funds	\$ 70,534,030
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$168,223,584 and the accumulated depreciation is \$46,688,447.	121,535,137
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included on the statement of net assets are:	1,516,904
In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were:	441,484
Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as an asset. The remaining deferred charges on refunding at the end of the period was:	2,756,991
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:	(2,087,437)
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	112,111,701
Certificates of participation	3,779,544
Capital leases	22,283
Compensated absences	1,205,830
Early retirement incentive	2,283,140
Other postemployment benefits	3,779,515
	<u>(123,182,013)</u>
Total net assets - governmental activities	<u>\$ 71,515,096</u>

BONITA UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2012*

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 50,130,677	\$ -	\$ -	\$ 50,130,677
Federal sources	5,769,757	-	1,985,991	7,755,748
Other state sources	10,461,913	-	178,718	10,640,631
Other local sources	8,879,816	675,164	10,364,720	19,919,700
Total Revenues	75,242,163	675,164	12,529,429	88,446,756
EXPENDITURES				
Instructional Services:				
Instruction	46,134,746	-	57	46,134,803
Instruction-Related Services:				
Supervision of instruction	2,519,241	-	85,889	2,605,130
Instructional library, media and technology	652,647	-	-	652,647
School site administration	5,042,091	-	-	5,042,091
Pupil Support Services:				
Home-to-school transportation	1,320,790	-	-	1,320,790
Food services	2,471	-	1,964,503	1,966,974
All other pupil services	4,111,223	-	5,197	4,116,420
Ancillary services	944,431	-	-	944,431
Community services	54,280	-	1,621,198	1,675,478
General Administration Services:				
Data processing services	1,403,153	-	-	1,403,153
Other general administration	3,399,094	-	160,743	3,559,837
Plant services	6,693,883	92,221	991,517	7,777,621
Facility acquisition and construction	456,802	14,805,251	-	15,262,053
Other outgo:				
Transfers between agencies	1,911,119	-	-	1,911,119
Debt service - issuance costs	32,996	219,087	-	252,083
Debt service - principal	3,968	-	1,869,871	1,873,839
Debt service - interest	1,424	-	5,773,334	5,774,758
Total Expenditures	74,684,359	15,116,559	12,472,309	102,273,227
Excess (Deficiency) of Revenues Over (Under) Expenditures	557,804	(14,441,395)	57,120	(13,826,471)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	500,000	500,000
Interfund transfers out	-	-	(500,000)	(500,000)
Proceeds from capital leases	-	26,004	-	26,004
Proceeds from refunding bonds	-	22,530,000	-	22,530,000
Premiums from issuance of debt	-	3,671,122	-	3,671,122
Transfer to escrow agent for defeased debt	-	(26,006,991)	-	(26,006,991)
Total Other Financing Sources and Uses	-	220,135	-	220,135
Net Change in Fund Balances	557,804	(14,221,260)	57,120	(13,606,336)
Fund Balances, July 1, 2011	16,063,456	58,359,710	9,717,200	84,140,366
Fund Balances, June 30, 2012	\$ 16,621,260	\$ 44,138,450	\$ 9,774,320	\$ 70,534,030

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, 2012

Total net change in fund balances - governmental funds \$ (13,606,336)

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	15,948,706	
Depreciation expense	<u>(5,394,866)</u>	
Net:		10,553,840

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 assets. 25,123,592

In governmental funds, proceeds from issuance of long-term debt are reported as other financing sources. In the government wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were: (26,227,126)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: 2,756,991

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: (186,710)

In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements are: 441,484

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: 126,478

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: 137,146

In governmental funds, other postemployment benefits (OPEB) costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (1,014,282)

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: (276,555)

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: (129,676)

Change in net assets of governmental activities \$ (2,301,154)

BONITA UNIFIED SCHOOL DISTRICT
Statement of Net Assets - Fiduciary Funds
June 30, 2012

	Agency Funds		Total
	Payroll Clearance Fund	Student Body Funds	
ASSETS			
Cash	\$ 589,135	\$ 655,811	\$ 1,244,946
Inventories - supplies and materials	-	55,090	55,090
Total assets	\$ 589,135	\$ 710,901	\$ 1,300,036
LIABILITIES			
Due to regulatory agencies	\$ 589,135	\$ -	\$ 589,135
Due to student groups	-	710,901	710,901
Total liabilities	\$ 589,135	\$ 710,901	\$ 1,300,036

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. 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 the District, this includes general operations, food service, and student related activities.

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 no such component units.

C. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statement but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period would be recorded as deferred revenue.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity (or retained earnings), revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental Fund Type Definitions

Governmental fund types include the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds.

General Fund: This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. The restricted or committed proceeds of specific revenue sources are expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specific purpose of the fund.

Capital Projects Funds: These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds: These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term debt.

Permanent Funds: These funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains an Adult Education Fund and a Deferred Maintenance Fund. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Adult Education Fund and the Deferred Maintenance Fund do not currently meet the definition of special revenue funds as they are no longer primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds is being reported within the General Fund.

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

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

Capital Projects Funds:

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

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

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

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

Debt Service Fund:

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Fiduciary Funds

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

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

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund in the required supplementary information section.

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

G. 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.

H. Assets, Liabilities, and Equity

1. Cash

The District's cash consists of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are valued on the weighted average method in the General Fund and Cafeteria Fund. Inventories recorded in the Student Body Funds are valued on the first in, first out method. Inventories consist mainly of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are requisitioned. Reported inventories are equally offset by a fund balance reserve which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

BONITA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2012***NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)****H. Assets, Liabilities, and Equity (continued)****3. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

5. 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.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Classifications

Fund balance reporting for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie these fund balance classifications and therefore would not report amounts in all possible fund balance classifications.

Nonspendable: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, revolving cash, inventories, and prepaid amounts.

Restricted: Fund balances should be reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

7. Fund Balance Classifications (continued)

Assigned: Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Under the District's policy, only the governing board, the superintendent, or the chief business official may assign amounts for a specific purpose.

Unassigned: Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification also includes the Reserve for Economic Uncertainties (REU).

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. 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.

K. New GASB Pronouncements

During the 2011-12 fiscal year, the following GASB Pronouncements became effective for the District:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*: The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in the multiple-employer other postemployment benefit (OPEB) plans. This Statement is not expected to affect the District.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*: The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is not expected to affect the District.

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2012 are reported at fair value and consisted of the following:

	<u>Rating</u>	<u>Governmental Activities/Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:			
Cash in County Treasury		<u>\$ 64,574,142</u>	<u>\$ 589,135</u>
Deposits:			
Cash on hand and in banks		26,945	655,811
Cash in revolving fund		90,000	-
Total deposits		<u>116,945</u>	<u>655,811</u>
Total cash		<u>\$ 64,691,087</u>	<u>\$ 1,244,946</u>
Investments:			
U.S. Bank First American Treasury Obligations	AA	<u>\$ 970,580</u>	

Investment security ratings reported as of June 30, 2012 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, 2012, 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. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other 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.

BONITA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2012***NOTE 2 - CASH AND INVESTMENTS (continued)****Custodial Credit Risk - Deposits (continued)**

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, none of the District's bank balance was exposed to custodial credit risk.

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, 2012 consist of the following:

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

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2012, 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, 2012, the District had the following investments that represents more than five percent of the District's net investments.

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:				
Categorical aid programs	\$ 909,602	\$ -	\$ 174,861	\$ 1,084,463
State Government:				
Revenue limit	15,495,998	-	-	15,495,998
Lottery	760,873	-	-	760,873
Class size reduction	776,154	-	-	776,154
Special education	141,433	-	-	141,433
Categorical aid programs	688,457	-	2,481	690,938
Local:				
Interest	31,109	95,577	8,985	135,671
Special education	1,584,341	-	-	1,584,341
Miscellaneous	63,486	-	8,555	72,041
Totals	\$ 20,451,453	\$ 95,577	\$ 194,882	\$ 20,741,912

NOTE 4 - INTERFUND ACTIVITIES

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental are netted as part of the reconciliation to the government-wide financial statements

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2011-12 fiscal year were as follows:

Special Reserve for Capital Outlay Projects transfer to Capital Facilities Fund for payment of COPs	<u>\$ 500,000</u>
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BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 5 - FUND BALANCES

Minimum Fund Balance Policy

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

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

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

At June 30, 2012, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 90,000	\$ -	\$ -	\$ 90,000
Stores inventories	52,989	-	22,409	75,398
Total Nonspendable	142,989	-	22,409	165,398
Restricted:				
Categorical programs	1,093,618	-	106,114	1,199,732
Capital projects	-	44,138,450	4,434,678	48,573,128
Debt service	-	-	4,865,413	4,865,413
Total Restricted	1,093,618	44,138,450	9,406,205	54,638,273
Assigned:				
School site/dept. carryovers	1,198,364	-	-	1,198,364
Medi-Cal administrative activities	288,586	-	-	288,586
Retiree incentive	196,600	-	-	196,600
Adult education program	61,936	-	-	61,936
Child development program	-	-	339,468	339,468
Cafeteria program	-	-	6,238	6,238
Deferred maintenance program	918,115	-	-	918,115
Total Assigned	2,663,601	-	345,706	3,009,307
Unassigned:				
Remaining unassigned balances	12,721,052	-	-	12,721,052
Total Unassigned	12,721,052	-	-	12,721,052
Total	\$ 16,621,260	\$ 44,138,450	\$ 9,774,320	\$ 70,534,030

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2012 is shown below:

	Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012
Capital assets not being depreciated:				
Land	\$ 1,711,208	\$ -	\$ -	\$ 1,711,208
Construction in progress	9,298,606	15,536,862	2,190,446	22,645,022
Total capital assets not being depreciated	11,009,814	15,536,862	2,190,446	24,356,230
Capital assets being depreciated:				
Improvement of sites	5,995,073	1,379,601	-	7,374,674
Buildings	127,272,171	810,845	-	128,083,016
Equipment	8,018,210	411,844	20,390	8,409,664
Total capital assets being depreciated	141,285,454	2,602,290	20,390	143,867,354
Accumulated depreciation for:				
Improvement of sites	(3,815,762)	(206,814)	-	(4,022,576)
Buildings	(32,337,621)	(4,645,211)	-	(36,982,832)
Equipment	(5,160,588)	(542,841)	(20,390)	(5,683,039)
Total accumulated depreciation	(41,313,971)	(5,394,866)	(20,390)	(46,688,447)
Total capital assets being depreciated, net	99,971,483	(2,792,576)	-	97,178,907
Governmental activity capital assets, net	\$ 110,981,297	\$ 12,744,286	\$ 2,190,446	\$ 121,535,137

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

Instruction	\$ 4,159,442
Instructional Supervision and Administration	97,107
Instructional Library, Media and Technology	5,395
School Site Administration	10,790
Home-to-School Transportation	43,159
Food Services	140,267
All Other Pupil Services	264,348
Ancillary Services	75,528
Community Services	182,584
All Other General Administration	292,165
Centralized Data Processing	118,687
Plant Services	5,394
Total	\$ 5,394,866

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2012

NOTE 7 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below.

	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012	Amount Due Within One Year
General Obligation Bonds:					
Principal payments	\$ 107,542,395	\$ 22,530,000	\$ 24,850,000	\$ 105,222,395	\$ 1,345,000
Accreted interest	259,736	203,314	-	463,050	-
Unamortized issuance premium	2,892,280	3,671,122	137,146	6,426,256	353,094
Total - General Obligation Bonds	110,694,411	26,404,436	24,987,146	112,111,701	1,698,094
Certificates of Participation:					
Principal payments	1,931,296	-	269,871	1,661,425	254,170
Accreted interest	2,134,723	560,456	577,060	2,118,119	593,291
Total - COPs	4,066,019	560,456	846,931	3,779,544	847,461
Capital leases	-	26,004	3,721	22,283	4,765
Compensated absences	1,127,468	78,362	-	1,205,830	-
Early retirement incentive	2,231,826	665,326	614,012	2,283,140	774,618
Other postemployment benefits	2,765,233	1,014,282	-	3,779,515	-
Totals	\$ 120,884,957	\$ 28,748,866	\$ 26,451,810	\$ 123,182,013	\$ 3,324,938

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 percent of the voters authorized the issuance and sale of \$56,360,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The bonds were issued to renovate and modernize school facilities within the District.

Measure "AB"

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

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

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2012

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

Measure "AB" (continued)

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

2012 General Obligation Refunding Bonds

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,756,991 remain to be amortized. As of June 30, 2012, the principal balance outstanding on the defeased debt amounted to \$23,250,000.

The refunding decreased the District's total debt service payments by \$3,111,176. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$2,565,972.

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, 2011	Additions	Deductions	Balance, June 30, 2012
2004 A	7/22/2004	8/1/2028	5.0%-5.48%	\$ 29,999,790	\$ 25,999,790	\$ -	\$ 23,750,000	\$ 2,249,790
2004 B	12/20/2006	8/1/2031	3.9%-4.7%	26,360,000	26,285,000	-	100,000	26,185,000
2008 A	9/23/2009	8/1/2021	4.0%-5.0%	5,400,000	4,400,000	-	1,000,000	3,400,000
2008 A-1	9/23/2009	8/1/2034	6.0%-6.93%	24,600,000	24,600,000	-	-	24,600,000
2008 B	5/26/2011	8/1/2037	3.0%-5.25%	16,802,605	16,802,605	-	-	16,802,605
2008 B-1	5/26/2011	8/1/2025	5.06%-5.56%	9,455,000	9,455,000	-	-	9,455,000
2012 Ref.	3/21/2012	8/1/2028	2.0%-5.0%	22,530,000	-	22,530,000	-	22,530,000
				\$ 135,147,395	\$ 107,542,395	\$ 22,530,000	\$ 24,850,000	\$ 105,222,395

Accreted Interest	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012
2004 A	\$ 112,374	\$ 21,610	\$ -	\$ 133,984
2008 A	147,362	122,926	-	270,288
2008 B	-	58,778	-	58,778
	\$ 259,736	\$ 203,314	\$ -	\$ 463,050

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2012

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2012 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-2013	\$ 1,345,000	\$ 5,441,662	\$ 6,786,662
2013-2014	1,375,000	5,292,080	6,667,080
2014-2015	1,475,000	5,235,720	6,710,720
2015-2016	1,910,000	5,180,367	7,090,367
2016-2017	1,705,000	5,109,892	6,814,892
2017-2022	16,580,000	24,453,837	41,033,837
2022-2027	26,190,000	19,617,377	45,807,377
2027-2032	35,820,860	12,480,030	48,300,890
2032-2037	15,821,535	7,177,043	22,998,578
2037-2038	3,000,000	157,500	3,157,500
Total	\$ 105,222,395	\$ 90,145,508	\$ 195,367,903

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, 2012, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$1,661,425 in addition to \$2,118,119 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2012 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-2013	\$ 254,170	\$ 593,291	\$ 847,461
2013-2014	239,449	608,792	848,241
2014-2015	225,711	623,783	849,494
2015-2016	211,972	635,634	847,606
2016-2017	199,214	647,123	846,337
2017-2020	530,909	2,012,223	2,543,132
Total	\$ 1,661,425	\$ 5,120,846	\$ 6,782,271

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

C. Capital Leases

The District has entered into lease agreement to lease copiers having a capitalized cost of \$26,004 under agreements that provide for title to pass upon expiration of the lease period and where the lease term is most of the equipment's full life. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-2013	\$ 4,765	\$ 1,428	\$ 6,193
2013-2014	5,115	1,079	6,194
2014-2015	5,489	704	6,193
2015-2016	5,891	302	6,193
2016-2017	1,023	8	1,031
Total	<u>\$ 22,283</u>	<u>\$ 3,521</u>	<u>\$ 25,804</u>

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

D. Early Retirement Incentives

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

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

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

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

D. Early Retirement Incentives (continued)

Currently, 126 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 \$614,012 were incurred for retiree incentives.

The estimated future liability at June 30, 2012 is \$2,283,140. This was estimated by multiplying the number of retirees receiving benefits by the annual payment for each retiree and by the number of years remaining of eligibility.

NOTE 8 - TAX REVENUE ANTICIPATION NOTES

The District issued \$9,754,000 of Tax Revenue Anticipation Notes dated March 30, 2012 through the California Education Notes Program. The notes mature on January 31, 2013, have an interest rate of 2.00% and yield 0.33%. The notes were sold by the District to supplement its cash flow. Repayment requirements are that certain amounts will be deposited into a special fund. The monies are required to remain on deposit until the maturity date of the note, at which time they will be applied to pay the principal and interest on the notes.

NOTE 9 - JOINT VENTURES

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

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

Condensed audited financial information for the year ended June 30, 2011 for ASCIP and VIP is as follows:

	ASCIP	VIP
Total Assets	\$ 256,717,310	\$ 18,744,570
Total Liabilities	144,684,365	13,743,057
Fund Equity	<u>\$ 112,032,945</u>	<u>\$ 5,001,513</u>
Total Revenues	\$ 186,342,703	\$ 5,133,734
Total Expenses	<u>180,264,566</u>	<u>4,627,646</u>
Net Increase in Fund Equity	<u>\$ 6,078,137</u>	<u>\$ 506,088</u>

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 10 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, 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 2012, 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 2012, the District had a cap of \$6,000 on employer paid health and welfare benefits. The District has contracted with the California Public Employment Retirement System (CalPERS) Health Plan and with Kaiser Permanente to provide medical and surgical benefits, and with Delta Care, Delta Dental, and United Concordia for dental benefits. Vision benefits are provided through Vision Service Plan. Disability insurance, cancer insurance, and accident insurance are also options available to employees.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of approximately \$3.8 million to be paid from bond funds and other funds.

C. Litigation

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

NOTE 12 - EMPLOYEE RETIREMENT PLANS

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

BONITA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2012

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 1,193,398	100%
2010-11	\$ 1,191,763	100%
2009-10	\$ 1,109,339	100%

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 2,982,326	100%
2010-11	\$ 2,989,228	100%
2009-10	\$ 3,023,999	100%

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Alternative Retirement Program (ARP)

Plan Description

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

Funding Policy

Contributions of 3.75% of covered compensation of eligible employees are made by the employer and the employee. Total contributions, employer and employee combined, were \$120,742 during 2011-12. The total amount of covered compensation was \$1,609,893. All eligible employees are covered by the plan and are fully vested. Employer liabilities are limited to the amount of current contributions.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$1.5 million to STRS (4.267% of salaries subject to STRS in 2011-12).

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	140
Active plan members*	<u>611</u>
Total	<u>751</u>

* As of July 1, 2010 actuarial valuation

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. The District provides medical benefits at the same level they are receiving at the time of retirement for a period of up to 5 years or to age 65, whichever occurs first.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2011-12, the District contributed \$199,106.

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$	1,216,283
Interest on net OPEB obligation		138,261
Adjustment to annual required contribution		<u>(141,156)</u>
Annual OPEB cost (expense)		1,213,388
Contributions made: Pay-as-you-go costs		<u>(199,106)</u>
Increase (decrease) in net OPEB obligation (asset)		1,014,282
Net OPEB obligation (asset), beginning of year		<u>2,765,233</u>
Net OPEB obligation (asset), end of year	\$	<u><u>3,779,515</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-12 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 1,213,388	5.3%	\$ 3,779,515
2011	\$ 1,192,974	13.1%	\$ 2,765,233
2010	\$ 1,463,260	8.5%	\$ 1,728,627

Funded Status and Funding Progress - OPEB Plans

As of July 1, 2010, the most recent actuarial valuation date, the District did not have a funded plan. The actuarial accrued liability (AAL) for benefits was \$10.5 million and the unfunded actuarial accrued liability (UAAL) was \$10.5 million.

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

Actuarial Methods and Assumptions

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Actuarial cost method	Unit credit
Amortization method	Level dollar method
Remaining amortization period	30 years
Asset valuation	N/A
Actuarial assumptions:	
Healthcare cost trend rate	7%

NOTE 14 - EFFECT OF STATE OF CALIFORNIA BUDGET CRISIS

The State of California closed 2011-12 as its fourth consecutive year of deficit spending. Most local education agencies (LEAs) in California are dependent upon the State for most of their funding. The State's fiscal crisis has caused the State to defer apportionments to LEAs for the past several years, with more than 32 percent of current year apportionments being deferred into the following fiscal year. These deferrals create cash flow management issues for LEAs, requiring many agencies to resort to interfund borrowing or the issuance of TRANS to meet short-term cash flow needs.

The Governor's proposed tax initiative (Proposition 30) as passed by California voters, temporarily increases the state sales and use tax (SUT) rate for all taxpayers and the personal income tax (PIT) rates for upper-income taxpayers. If Proposition 30 had been rejected by voters in November, additional "trigger cuts" of approximately \$457 per student would have been enacted during the 2012-13 fiscal year. The passage of Proposition 30 does not guarantee that the State will not make future cuts to education. Most LEAs have been required to make substantial budget cuts over the past few years. Additional cuts to State funding will force LEAs to implement even greater budget reductions, jeopardizing the ability of LEAs to provide key programs and services.

Required Supplementary Information

BONITA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue Limit Sources				
Federal	\$ 50,357,894	\$ 50,926,887	\$ 50,130,677	\$ (796,210)
Other State	3,206,055	5,993,407	5,769,757	(223,650)
Other Local	13,962,601	9,741,511	10,062,988	321,477
	1,088,210	5,940,024	8,871,265	2,931,241
Total Revenues	68,614,760	72,601,829	74,834,687	2,232,858
Expenditures				
Certificated Salaries	36,522,181	37,220,363	36,526,830	693,533
Classified Salaries	10,206,247	10,635,172	10,282,140	353,032
Employee Benefits	12,458,315	12,802,886	12,302,667	500,219
Books and Supplies	2,767,637	3,693,416	2,602,134	1,091,282
Services and Other Operating Expenditures	11,074,793	11,363,193	10,396,845	966,348
Capital Outlay	141,500	361,967	375,262	(13,295)
Other Outgo	145,152	176,244	1,759,311	(1,583,067)
Total Expenditures	73,315,825	76,253,241	74,245,189	2,008,052
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,701,065)	(3,651,412)	589,498	4,240,910
Other Financing Sources and Uses				
Interfund Transfers Out	-	-	(22,115)	(22,115)
Total Other Financing Sources and Uses	-	-	(22,115)	(22,115)
Net change in Fund Balances	(4,701,065)	(3,651,412)	567,383	4,218,795
Fund Balances, July 1, 2011	15,073,826	15,073,826	15,073,826	-
Fund Balances, June 30, 2012	\$ 10,372,761	\$ 11,422,414	\$ 15,641,209	\$ 4,218,795

* 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 Adult Education Fund and Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2012

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

BONITA UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2012, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules by major object code:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Capital Outlay	\$ 13,295
Other Outgo	1,583,067
Interfund Transfers Out	22,115

Supplementary Information

BONITA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2012

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

BOARD OF EDUCATION

Member	Office	Term Expires
Glenn Creiman	President	November, 2015
Chuck Coyne	Vice-President	November, 2013
Patti Latourelle	Member	November, 2013
Diane Koach	Member	November, 2015
Jim Elliot	Member	November, 2015

DISTRICT ADMINISTRATORS

Gary Rapkin, Ph. D.,
Superintendent

Curtis Frick,
Assistant Superintendent, Human Resources Development

Lois Klein,
Assistant Superintendent, Educational Services

Ann Sparks,
Assistant Superintendent, Business Services

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2012

	Second Period Report (Certificate No. 896E9979)	Annual Report (Certificate No. AB9D8FD9)
Elementary:		
Kindergarten	665	672
Grades 1 through 3	1,869	1,871
Grades 4 through 6	2,010	2,009
Grades 7 and 8	1,470	1,467
Home and Hospital	2	3
Special Education	175	176
Extended year - Nonpublic, Nonsectarian	3	3
Total Elementary	<u>6,194</u>	<u>6,201</u>
Secondary:		
Grades 9 through 12, regular classes	3,108	3,093
Continuation Education	119	116
Opportunity	5	6
Home and Hospital	10	9
Special Education	94	95
Extended year - Nonpublic, Nonsectarian	3	3
Total Secondary	<u>3,339</u>	<u>3,322</u>
Total Average Daily Attendance	<u><u>9,533</u></u>	<u><u>9,523</u></u>

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2012

Grade Level	1982-83 Minutes		1986-87 Minutes		2011-12 Actual Minutes	Number of Days Traditional Calendar	Status
	Actual	Reduced*	Previously Required	Reduced*			
Kindergarten	31,680	29,568	36,000	33,600	44,185	180	Complied
Grade 1	46,228	43,146	50,400	47,040	50,695	180	Complied
Grade 2	46,228	43,146	50,400	47,040	50,695	180	Complied
Grade 3	46,228	43,146	50,400	47,040	50,695	180	Complied
Grade 4	51,410	47,983	54,000	50,400	56,725	180	Complied
Grade 5	51,410	47,983	54,000	50,400	56,725	180	Complied
Grade 6	51,410	47,983	54,000	50,400	58,394	180	Complied
Grade 7	51,410	47,983	54,000	50,400	58,394	180	Complied
Grade 8	51,410	47,983	54,000	50,400	58,394	180	Complied
Grade 9	62,760	58,576	64,800	60,480	64,708	180	Complied
Grade 10	62,760	58,576	64,800	60,480	64,708	180	Complied
Grade 11	62,760	58,576	64,800	60,480	64,708	180	Complied
Grade 12	62,760	58,576	64,800	60,480	64,708	180	Complied

* Amounts reduced as permitted by Education Code Sections 46201.2 (a) and 46201.3 (a).

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2012

General Fund	(Budget) ² 2013	2012 ⁴	2011	2010
Revenues and other financing sources	\$ 68,711,761	\$ 74,834,687	\$ 75,507,249	\$ 69,093,886
Expenditures	73,472,591	74,245,189	74,304,913	73,427,877
Other uses and transfers out	-	22,115	-	-
Total Outgo	73,472,591	74,267,304	74,304,913	73,427,877
Change in fund balance (deficit)	(4,760,830)	567,383	1,202,336	(4,333,991)
Ending fund balance	\$ 10,880,379	\$ 15,641,209	\$ 15,073,826	\$ 13,871,490
Available Reserves ³	\$ 5,469,501	\$ 12,721,052	\$ 11,592,410	\$ 10,334,672
Available Reserves as a percentage of Total Outgo	7.4%	17.1%	15.6%	14.1%
Total Long-Term Debt	\$ 119,857,075	\$ 123,182,013	\$ 120,884,957	\$ 95,648,539
Average Daily Attendance at P-2 ³	9,534	9,533	9,547	9,593

The General Fund balance has increased by \$1,769,719 over the past two years. The fiscal year 2012-13 adopted budget projects a decrease of \$4,760,830. 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 only one of the past three years, but anticipates incurring an operating deficit during the 2012-13 fiscal year. Total long-term debt has increased by \$27,533,474 over the past two years.

Average daily attendance has decreased by 60 over the past two years. An increase of 1 ADA is anticipated during fiscal year 2012-13.

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

² As of September 2012.

³ Excludes Adult Education and ROC/P ADA.

⁴ 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 Adult Education and Deferred Maintenance Funds, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditure	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster				
School Breakfast Program	10.553	13390	\$ 179,597	
National School Lunch Program	10.555	13391	994,789	
USDA - Donated Foods	10.555	N/A	111,499	
Subtotal Child Nutrition Cluster			<u>1,285,885</u>	\$ 1,285,885
Flood Control Funds	10.904	N/A		1,322
Forest Reserve	10.665	10044		<u>12,804</u>
Total U.S. Department of Agriculture				<u><u>1,300,011</u></u>
U.S. Department of Labor:				
Workforce Investment Act	17.259	10055		<u>19,756</u>
Total U.S. Department of Labor				<u><u>19,756</u></u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
No Child Left Behind Act (NCLB):				
Title I, Part A, Low-Income	84.010	14329		1,154,617
Title II, Part A Cluster				
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	238,310	
Title II, Part A, Administrator Training	84.367	14344	3,000	
Subtotal Title II, Part A Cluster			<u>241,310</u>	
Education Technology Cluster				
Title II, Part D Enhancing Education Through Technology, Formula Grants	84.318	14334	870	
ARRA Title II, Part D, CTAP Administration of Enhancing Educa. Through Tech.	84.386	15137	7,774	
ARRA Title II, Part D, Enhancing Education Through Tech., Comp. Grants	84.386	15126	20,406	
Subtotal Education Technology Cluster			<u>29,050</u>	
Title III, Limited English Proficient (LEP) Student Program	84.365	14346		44,771
Title IV, Part A, Drug Free Schools	84.186	14347		4,191
Education Jobs Fund	84.410	25152		1,889,519
Vocational & Applied Tech Secondary II, Carl Perkins Act	84.048	14894		53,647
Passed through SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster				
Basic Local Assistance Entitlement, Part B	84.027	13379	1,522,196	
ARRA Basic Local Assistance Entitlement, Part B	84.391	15003	263,792	
Preschool Grants, Part B	84.173	13430	58,141	
Preschool Local Entitlement, Part B	84.027A	13682	80,872	
Mental Health Allocation Plan, Part B	84.027	14468	82,254	
Preschool Staff Development, Part B	84.173A	13431	584	
Subtotal Special Education (IDEA) Cluster			<u>2,007,839</u>	
Total U.S. Department of Education				<u><u>5,424,944</u></u>
U.S. Department of Health & Human Services:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	134,081	
Medi-Cal Administrative Activities (MAA)	N/A	10060	172,314	
Subtotal Medicaid Cluster			<u>306,395</u>	
Total U.S. Department of Health & Human Services				<u><u>306,395</u></u>
Total Expenditures of Federal Awards				<u><u>\$ 7,051,106</u></u>

BONITA UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

BONITA UNIFIED SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as reduced by Education Code sections 46201.2(a) and 46201.3(a).

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Other Independent Auditors' Reports



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 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, 2012, which collectively comprise Bonita Unified School District's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Bonita Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bonita Unified School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bonita Unified School District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

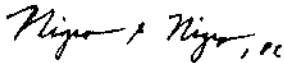
Compliance and Other Matters

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-1.

We noted certain matters that we reported to management of Bonita Unified School District in a separate letter dated December 4, 2012.

Bonita Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 4, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Bonita Unified School District
San Dimas, California

Compliance

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Bonita Unified School District's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bonita Unified School District's management. Our responsibility is to express an opinion on Bonita Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Bonita Unified School District's compliance with those requirements.

In our opinion, Bonita Unified School District complied, in all material respects, with the 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, 2012.

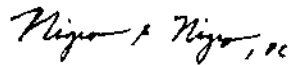
Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.



December 4, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

**Board of Education
Bonita Unified School District
San Dimas, California**

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, published by the Education Audit Appeals Panel, for the year ended June 30, 2012. The District's State programs are identified in the schedule below. Compliance with the requirements of laws, regulations, contracts, and grants is the responsibility of the District's management. Our responsibility is to express an opinion on Bonita Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction:		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts with Only One School Serving K-3	4	Not applicable

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

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

In our opinion, Bonita Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-1.

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nigro & Nigro, PC

December 4, 2012

Findings and Questioned Costs

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>84.367</u>	<u>Title II, Part A Cluster</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

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

State Awards

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

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2011-12.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2011-12.

BONITA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Findings 2012-1: English Learner Teachers (71000)

Criteria: Any teacher that is assigned to teach a class in which more than 20 percent of the pupils are English learners must be authorized to instruct limited-English-proficient pupils pursuant to the provisions of Education Code Sections 44253.3, 44253.4, or 44253.10.

Condition: Our sample of 20 teachers found one teacher that was not properly authorized, but was teaching a class with more than 20 percent English learners.

Cause: Unknown

Effect: There is no financial impact from this finding.

Recommendation: The District must follow-up in 2012-13 to ensure that all teachers assigned to teach a class in which more than 20 percent of the pupils are English learners have the proper credentials.

District Response: The Bonita Unified School District has significantly reduced the number of teachers who do not have their English Learner Authorization. Currently, 11 teachers in the District are not properly credentialed to accommodate English Learners. English Learner students are therefore placed in classrooms with teachers who are properly credentialed.

The few remaining teachers without English Learner Authorization are required each year to show progress towards acquiring proper credential status. The teacher cited in the audit finding has completed two of the three parts of the test for credentialing. He does not have any English Language Learners in his classes for the 2012-13 school year.

BONITA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2012

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2011-1: Meal Reimbursement Claim	<p>The District reports meals served each month to the California Department of Education on Form CNFS 71-5. The form reports the number of meals served in each category by paid, free, or reduced price.</p> <p>The District under-claimed the reimbursement for breakfast served during the months of October 2010 through February 2011, with a total loss of \$5,960. The child nutrition bookkeeper assumed that Gladstone Elementary School did not qualify for reimbursement for breakfasts served. This was because the school site had just become an approved location for breakfast reimbursement in September of 2010.</p>	30000	We recommend that the District file revised meal reimbursement claims for the months noted in order to be reimbursed for the additional \$5,960 that is owed.	Implemented



To the Board of Education
Bonita Unified School District
San Dimas, California

In planning and performing our audit of the basic financial statements of Bonita Unified School District for the year ending June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 4, 2012, on the financial statements of Bonita Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: In our sample of cash disbursements, we found that expenditures are not always approved by a student representative, district representative (usually a principal or vice-principal), and the ASB advisor, before the expenditures were incurred. We found this condition at the school sites below:

- Lone Hill Middle School – four (4) of eighteen (18) items sampled
- Ramona Middle School – two (2) of twenty-five (25) items sampled
- Bonita High School - two (2) of twenty-five (25) items sampled

Recommendation: We recommend implementing procedures to obtain the approval of all three parties before any expense is incurred.

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

Nigro & Nigro, PC

December 4, 2012