

**BONITA UNIFIED  
SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2016**



**BONITA UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2016*  
*Table of Contents*

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**FINANCIAL SECTION**

|   | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report.....   | 1           |
| Management's Discussion and Analysis.....   | 3           |
| Basic Financial Statements:   |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Position .....   | 11          |
| Statement of Activities .....   | 12          |
| Governmental Funds Financial Statements:  |             |
| Balance Sheet .....   | 13          |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....  | 14          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances.....  | 15          |
| Reconciliation of the Governmental Funds Statement of Revenues,<br>Expenditures, and Changes in Fund Balances to the Statement of Activities..... | 16          |
| Fiduciary Funds Financial Statement:  |             |
| Statement of Fiduciary Net Position .....   | 17          |
| Notes to Financial Statements .....   | 18          |

**REQUIRED SUPPLEMENTARY INFORMATION**

|  |    |
|--|----|
| Budgetary Comparison Schedule – General Fund.....                  | 46 |
| Schedule of Funding Progress .....                                 | 47 |
| Schedule of Proportionate Share of the Net Pension Liability ..... | 48 |
| Schedule of Contributions .....                                    | 49 |
| Notes to the Required Supplementary Information .....              | 50 |

**SUPPLEMENTARY INFORMATION**

|   |    |
|---|----|
| Local Educational Agency Organization Structure .....                                       | 52 |
| Schedule of Average Daily Attendance .....  | 53 |
| Schedule of Instructional Time .....  | 54 |
| Schedule of Financial Trends and Analysis.....  | 55 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements..... | 56 |
| Schedule of Expenditures of Federal Awards .....  | 57 |
| Note to the Supplementary Information.....  | 58 |

**BONITA UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2016*  
*Table of Contents*

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

**Page**

|   |    |
|---|----|
| 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 <i>Government Auditing Standards</i> ..... | 59 |
| Independent Auditors' Report on State Compliance .....  | 61 |
| Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....   | 63 |

**FINDINGS AND QUESTIONED COSTS**

|  |    |
|--|----|
| Schedule of Audit Findings and Questioned Costs:       |    |
| Summary of Auditors' Results .....                     | 65 |
| Current Year Audit Findings and Questioned Costs ..... | 66 |
| Summary Schedule of Prior Audit Findings .....         | 69 |
| Management Letter .....                                | 70 |

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Bonita Unified School District  
San Dimas, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District, as of June 30, 2016, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 46, schedule of funding progress on page 47, schedule of proportionate share of the net pension liability on page 48, and schedule of contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 53 to 56 and the schedule of expenditures of federal awards on page 57 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 52 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
November 7, 2016

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2016*

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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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$1.6 million, or 10.9%.
- Governmental expenses were approximately \$119.3 million. Revenues were approximately \$120.9 million.
- The District spent more than \$11.3 million on new capital assets during the year, due to site improvements.
- The District increased its outstanding long-term debt by \$29.6 million, primarily due to the issuance of clean renewal energy bonds and increases in the net pension liability.
- Grades K-12 average daily attendance (ADA) increased by 60, or 0.6%.

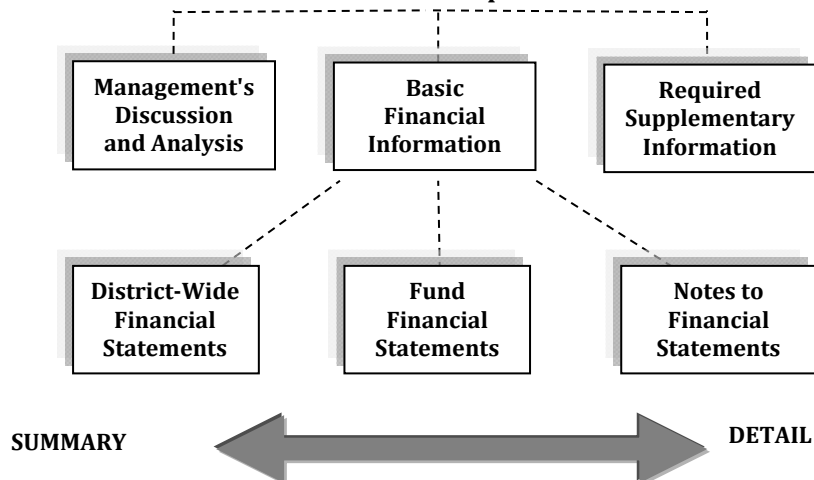
**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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





**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2016*

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**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**

| <b>Type of Statements</b>                     | <b>District-Wide</b>   | <b>Governmental Funds</b>  | <b>Fiduciary Funds</b>  |
|---|--|--|---|
| <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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>   |
| <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, 2016*

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### OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

#### District-Wide Statements

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

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

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

#### Fund Financial Statements

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

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

The District has two kinds of funds:

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2016*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2016, than it was the year before – increasing 10.9% to \$(13.3) million (See Table A-1).

**Table A-1**

|                                  | <b>Governmental Activities</b> |                  | <b>Variance<br/>Increase<br/>(Decrease)</b> |
|----------------------------------|--------------------------------|------------------|---|
|                                  | <b>(In millions)</b>           |                  |   |
|                                  | <b>2016</b>                    | <b>2015</b>      |   |
| Current assets                   | \$ 85.1                        | \$ 66.9          | \$ 18.2                                     |
| Capital assets                   | 149.5                          | 144.8            | 4.7   |
| <b>Total assets</b>              | <b>234.6</b>                   | <b>211.7</b>     | <b>22.9</b>                                 |
| <b>Total deferred outflows</b>   | <b>17.7</b>                    | <b>11.0</b>      | <b>6.7</b>                                  |
| Current liabilities              | 12.3                           | 7.6              | 4.7   |
| Long-term liabilities            | 242.4                          | 212.8            | 29.6  |
| <b>Total liabilities</b>         | <b>254.7</b>                   | <b>220.4</b>     | <b>34.3</b>                                 |
| <b>Total deferred inflows</b>    | <b>10.8</b>                    | <b>17.2</b>      | <b>(6.4)</b>                                |
| Net position                     |                                |                  |   |
| Net investment in capital assets | 46.9                           | 48.0             | (1.1)                                       |
| Restricted                       | 22.7                           | 11.7             | 11.0  |
| Unrestricted                     | (82.9)                         | (74.6)           | (8.3)                                       |
| <b>Total net position</b>        | <b>\$ (13.3)</b>               | <b>\$ (14.9)</b> | <b>\$ 1.6</b>                               |

**Changes in net position, governmental activities.** The District's total revenues increased 14.1% to \$120.9 million (See Table A-2). The increase is due primarily to state aid.

The total cost of all programs and services increased 11.1% to \$119.3 million. The District's expenses are predominantly related to educating and caring for students, 73.9%. The purely administrative activities of the District accounted for just 6.1% of total costs. A significant contributor to the increase in costs was due to increased compensation to district personnel.

**Table A-2**

|                                     | <b>Governmental Activities</b> |             | <b>Variance<br/>Increase<br/>(Decrease)</b> |
|-------------------------------------|--------------------------------|-------------|---|
|                                     | <b>(In millions)</b>           |             |   |
|                                     | <b>2016</b>                    | <b>2015</b> |   |
| Total Revenues                      | \$ 120.9                       | \$ 106.0    | \$ 14.9                                     |
| Total Expenses                      | 119.3                          | 107.3       | 12.0  |
| Increase (decrease) in net position | \$ 1.6                         | \$ (1.3)    | \$ 2.9                                      |

## BONITA UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2016

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#### 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 \$74.6 million, which is above last year's ending fund balance of \$61.5 million. The primary cause of the increased fund balance is due to issuance of CREBs.

#### 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:

- Salaries and benefits costs – increased \$0.5 million due to projected salary increases.
- Books and supplies – increased \$0.5 million to re-budget carryover funds from the previous year.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$2.4 million, the actual results for the year show that revenues exceeded expenditures by roughly \$6.2 million. Actual revenues were \$4.0 million more than anticipated, and expenditures were \$0.1 million more than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2016, that will be carried over into the 2016-17 budget.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

By the end of 2015-16 the District had invested \$11.3 million in new capital assets, related to the improvement of sites. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$6.7 million.

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

|                          | Governmental Activities<br>(In millions) |                 | Variance<br>Increase<br>(Decrease) |
|--------------------------|--|-----------------|------------------------------------|
|                          | 2016                                     | 2015            |                                    |
| Land                     | \$ 1.7                                   | \$ 1.7          | \$ -                               |
| Improvement of sites     | 21.0                                     | 19.9            | 1.1                                |
| Buildings                | 81.0                                     | 84.8            | (3.8)                              |
| Equipment                | 3.5                                      | 3.3             | 0.2                                |
| Construction in progress | 42.3                                     | 35.1            | 7.2                                |
| Total                    | <u>\$ 149.5</u>                          | <u>\$ 144.8</u> | <u>\$ 4.7</u>                      |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2016*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$242.4 million in general obligation bonds, certificates of participation, CREBs, capital leases, compensated absences, early retirement incentives, pension liabilities, and other postemployment benefits – an increase of 13.9% 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**

|                               | <b>Governmental Activities</b> |                 | <b>Variance<br/>Increase<br/>(Decrease)</b> |
|-------------------------------|--------------------------------|-----------------|---|
|                               | <b>(In millions)</b>           |                 |   |
|                               | <b>2016</b>                    | <b>2015</b>     |   |
| General obligation bonds      | \$ 136.8                       | \$ 136.1        | \$ 0.7                                      |
| Certificates of participation | 1.6                            | 2.0             | (0.4)                                       |
| Capital leases                | 0.4                            | 0.3             | 0.1   |
| CREBS                         | 13.3                           | -               | 13.3  |
| Compensated absences          | 1.3                            | 1.4             | (0.1)                                       |
| Early retirement incentive    | 1.0                            | 1.4             | (0.4)                                       |
| Other postemployment benefits | 7.8                            | 6.8             | 1.0   |
| Net pension liability         | 80.2                           | 64.8            | 15.4  |
| <b>Total</b>                  | <b>\$ 242.4</b>                | <b>\$ 212.8</b> | <b>\$ 29.6</b>                              |

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

**Evolution of the Budget**

The Legislature passed the final budget package on June 15, 2016. Total reserves in the final budget package were lower by only \$36 million compared to the Governor's proposal in May. Various choices were made to shift spending priorities compared to the Governor's proposal. Budget savings resulted from (1) reduced spending on state office buildings, (2) shifting funding for the construction of local jails from General Fund to bond funds, and (3) reduced retiree health spending due to lower than expected healthcare costs. Correspondingly, the final budget deal reflected higher spending for affordable housing programs, repealing the MFG policy, and various public safety programs.

The Governor signed the *2016-17 Budget Act* and 14 budget-related bills on June 27, 2016 and July 1, 2016. The Governor did not veto any appropriations.

**Proposition 98**

State budgeting for schools and community colleges is based primarily on Proposition 98, approved by voters in 1988 and amended in 1990. Below, we provide an overview of Proposition 98 funding and spending changes under the enacted budget package. We then highlight Proposition 98 spending changes specifically for K-12 education.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2016*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**Minimum Guarantee**

***Proposition 98 Funding Revised Upward Across Three-Year Period***

Proposition 98 establishes a minimum funding requirement commonly called the minimum guarantee. Compared with the estimates from June 2015, the 2014-15 and 2015-16 guarantees have increased by \$843 million and \$641 million, respectively. These upward revisions are due primarily to increases in state revenue relative to the amounts assumed in last year's budget package. The estimate of the 2016-17 minimum guarantee is \$3.5 billion (5.1 percent) higher than the *2015-16 Budget Act* level.

***Two Key Drivers of Increase in 2016-17***

Total funding for all segments in 2016-17 is \$71.9 billion, a \$2.8 billion (4.1 percent) increase above the revised 2015-16 level. This change in the guarantee reflects 3.6 percent growth in the "Test 3 factor" combined with a supplemental appropriation of \$502 million. The Test 3 factor consists of 3.1 percent growth in per capita General Fund plus an additional 0.5 percent increase set forth in the State Constitution. The supplemental appropriation ensures that the minimum guarantee grows at least as quickly as the rest of the state budget.

***Increase Covered About Evenly From Higher State General Fund and Local Property Tax Revenue***

Of total Proposition 98 funding in 2016-17, \$51.1 billion is state General Fund and \$20.8 billion is local property tax revenue. From 2015-16 to 2016-17, state General Fund increases by \$1.3 billion (accounting for slightly less than half of the \$2.8 billion increase in the guarantee) and local property tax revenue increases by \$1.5 billion (accounting for slightly more than half of the increase in the guarantee). The primary factor explaining the growth in property tax revenue is the strong 6.2 percent increase in assessed property values. In addition, the budget plan assumes property tax revenue increases by \$419 million due to the triple flip ending, thereby completing the shift of revenue from cities, counties, and special districts to school districts and community colleges.

***New Maintenance Factor Created in 2016-17***

In 2014-15, General Fund tax revenue increased by 11 percent over the prior-year level, resulting in a maintenance factor payment of \$5.7 billion—the largest payment the state has ever made. In 2015-16, the budget assumes the state makes an additional maintenance factor payment of \$379 million, reducing the total outstanding obligation to \$155 million. In 2016-17, the budget assumes the state creates \$746 million in new maintenance factor. The amount of new maintenance factor created is based on the difference between the Proposition 98 Test 2 and Test 3 factors. In 2016-17, growth in the Test 2 factor (per capita personal income) is strong (5.4 percent) relative to growth in the Test 3 factor (3.6 percent).

**K-12 Education**

***\$63.3 Billion Proposition 98 Funding for K-12 Education and Preschool Combined***

This 2016-17 level is \$2.5 billion (4.1 percent) more than revised 2015-16 funding and \$3.7 billion (6.3 percent) more than the *2015-16 Budget Act* level. The budget increases funding per student by \$440 (4.3 percent) over the *2015-16 Budget Act* level, bringing Proposition 98 funding per student up to \$10,657.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2016*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

**New Spending**

***Large Increase for LCFF***

The \$2.9 billion augmentation brings total funding for implementing LCFF for school districts and charter schools up to \$55.8 billion, a 5.7 percent increase over the revised 2015-16 level. The administration estimates this funding will close 54 percent of the gap between current funding levels and LCFF target rates, bringing LCFF to 96 percent of its full implementation cost. School districts and charter schools may use LCFF monies for any educational purpose.

***Significant Discretionary One-Time Funding***

The largest one-time augmentation for K-12 education is \$1.3 billion that LEAs may use for any locally determined purpose. Funding would be distributed based on average daily attendance. If an LEA has unpaid mandate claims, funding would pay all or a portion of those claims. As many LEAs do not have any unpaid claims, we estimate only about half (\$617 million) of the funding provided would reduce the K-12 mandates backlog. We estimate the outstanding K-12 mandates backlog will be \$987 million at the end of 2016-17.

All of these factors were considered in preparing the Bonita Unified School District budget for the 2016-17 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2016*

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| <b>ASSETS</b>                             | <b>Total<br/>Governmental<br/>Activities</b> |
|---|--|
| Cash                                      | \$ 79,521,237                                |
| Investments                               | 970,580                                      |
| Accounts receivable                       | 4,471,528                                    |
| Inventories                               | 94,179                                       |
| Non-depreciable assets                    | 44,049,060                                   |
| Depreciable assets                        | 177,026,663                                  |
| Less accumulated depreciation             | <u>(71,586,360)</u>                          |
| Total assets                              | <u>234,546,887</u>                           |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b> |  |
| Deferred outflows of resources - pensions | 14,445,096                                   |
| Deferred amounts on refunding             | <u>3,266,990</u>                             |
| Total deferred outflows of resources      | <u>17,712,086</u>                            |
| <br><b>LIABILITIES</b>                    |  |
| Accounts payable                          | 12,312,872                                   |
| Unearned revenue                          | 42,308                                       |
| Long-term liabilities:                    |  |
| Due or payable within one year            | 4,001,003                                    |
| Due or payable after one year             | <u>238,360,085</u>                           |
| Total liabilities                         | <u>254,716,268</u>                           |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>  |  |
| Deferred inflow of resources - pensions   | <u>10,819,435</u>                            |
| <br><b>NET POSITION</b>                   |  |
| Net investment in capital assets          | 46,869,645                                   |
| Restricted for:                           |  |
| Capital projects                          | 2,478,340                                    |
| Debt service                              | 6,763,662                                    |
| Categorical programs                      | 13,470,585                                   |
| Unrestricted                              | <u>(82,858,962)</u>                          |
| Total net position                        | <u>\$ (13,276,730)</u>                       |



**BONITA UNIFIED SCHOOL DISTRICT**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2016*

| Functions/Programs                                       | Expenses              | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|-----------------------|-------------------------|--|--|
|  |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| <b>Governmental Activities:</b>                          |                       |                         |  |  |
| Instructional services:                                  |                       |                         |  |  |
| Instruction  | \$ 66,969,674         | \$ 2,299,138            | \$ 9,453,868                             | \$ (55,216,668)  |
| Instruction-related services:                            |                       |                         |  |  |
| Supervision of instruction                               | 3,029,751             | 65,958                  | 1,212,819                                | (1,750,974)  |
| Instructional library, media and technology              | 924,582               | 10,002                  | 22                                       | (914,558)  |
| School site administration                               | 6,338,386             | 175,602                 | 74,660                                   | (6,088,124)  |
| Pupil support services:                                  |                       |                         |  |  |
| Home-to-school transportation                            | 1,915,756             | 681                     | 363,895                                  | (1,551,180)  |
| Food services  | 2,454,806             | 716,284                 | 1,723,118                                | (15,404)   |
| All other pupil services                                 | 6,464,075             | 215,382                 | 2,454,013                                | (3,794,680)  |
| General administration services:                         |                       |                         |  |  |
| Data processing services                                 | 1,911,667             | -                       | -  | (1,911,667)  |
| Other general administration                             | 5,375,018             | 54,006                  | 737,805                                  | (4,583,207)  |
| Plant services   | 9,444,831             | 48,317                  | 743,948                                  | (8,652,566)  |
| Ancillary services                                       | 1,377,893             | 30,343                  | -  | (1,347,550)  |
| Community services                                       | 2,090,839             | 3,838                   | -  | (2,087,001)  |
| Interest on long-term debt                               | 9,969,276             | -                       | -  | (9,969,276)  |
| Other outgo  | 1,028,194             | 834                     | 473,546                                  | (553,814)  |
| Total Governmental Activities                            | <u>\$ 119,294,748</u> | <u>\$ 3,620,385</u>     | <u>\$ 17,237,694</u>                     | <u>(98,436,669)</u>  |
| <b>General Revenues:</b>                                 |                       |                         |  |  |
| Property taxes   |                       |                         |  | 22,689,262   |
| Federal and state aid not restricted to specific purpose |                       |                         |  | 72,581,062   |
| Interest and investment earnings                         |                       |                         |  | 219,976  |
| Interagency revenues                                     |                       |                         |  | 91,322   |
| Miscellaneous  |                       |                         |  | <u>4,476,527</u>   |
| Total general revenues                                   |                       |                         |  | <u>100,058,149</u>   |
| Change in net position                                   |                       |                         |  | 1,621,480  |
| Net position - July 1, 2015                              |                       |                         |  | <u>(14,898,210)</u>  |
| Net position - June 30, 2016                             |                       |                         |  | <u>\$ (13,276,730)</u>                                     |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2016*

|                                      | General<br>Fund      | Building<br>Fund     | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|----------------------|----------------------|------------------------------------|--------------------------------|
| <b>ASSETS</b>                        |                      |                      |                                    |                                |
| Cash                                 | \$ 35,812,724        | \$ 31,957,995        | \$ 11,750,518                      | \$ 79,521,237                  |
| Investments                          | -                    | -                    | 970,580                            | 970,580                        |
| Accounts receivable                  | 3,849,156            | 106,518              | 100,901                            | 4,056,575                      |
| Inventories                          | 45,635               | -                    | 48,544                             | 94,179                         |
| Total Assets                         | <u>\$ 39,707,515</u> | <u>\$ 32,064,513</u> | <u>\$ 12,870,543</u>               | <u>\$ 84,642,571</u>           |
| <b>LIABILITIES AND FUND BALANCES</b> |                      |                      |                                    |                                |
| <b>Liabilities</b>                   |                      |                      |                                    |                                |
| Accounts payable                     | \$ 8,741,744         | \$ 1,132,056         | \$ 165,573                         | \$ 10,039,373                  |
| Unearned revenue                     | -                    | -                    | 42,308                             | 42,308                         |
| Total Liabilities                    | <u>8,741,744</u>     | <u>1,132,056</u>     | <u>207,881</u>                     | <u>10,081,681</u>              |
| <b>Fund Balances</b>                 |                      |                      |                                    |                                |
| Nonspendable                         | 135,635              | -                    | 48,544                             | 184,179                        |
| Restricted                           | 13,231,717           | 30,932,457           | 12,547,398                         | 56,711,572                     |
| Assigned                             | 11,850,599           | -                    | 66,720                             | 11,917,319                     |
| Unassigned                           | 5,747,820            | -                    | -                                  | 5,747,820                      |
| Total Fund Balances                  | <u>30,965,771</u>    | <u>30,932,457</u>    | <u>12,662,662</u>                  | <u>74,560,890</u>              |
| Total Liabilities and Fund Balances  | <u>\$ 39,707,515</u> | <u>\$ 32,064,513</u> | <u>\$ 12,870,543</u>               | <u>\$ 84,642,571</u>           |

## BONITA UNIFIED SCHOOL DISTRICT

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

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**Total fund balances - governmental funds** \$ 74,560,890

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 \$221,075,723 and the accumulated depreciation is \$71,586,360. 149,489,363

In governmental funds, interest subsidies received from Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) are recognized in the period that they are received. In the government-wide statements, they are recognized in the period that they are earned. The federal interest subsidies included in accounts receivable in the government-wide statements were: 414,953

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 3,266,990

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: (2,273,499)

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

|                               |                  |               |
|-------------------------------|------------------|---------------|
| Net pension liability         | 80,156,842       |               |
| General obligation bonds      | 136,813,132      |               |
| Certificates of participation | 1,565,062        |               |
| Capital leases                | 372,891          |               |
| Compensated absences          | 1,353,734        |               |
| Early retirement incentive    | 1,005,035        |               |
| CREBs                         | 13,307,000       |               |
| Other postemployment benefits | <u>7,787,392</u> | (242,361,088) |

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

|                   |                     |
|-------------------|---------------------|
| Deferred outflows | 14,445,096          |
| Deferred inflows  | <u>(10,819,435)</u> |

**Total net position - governmental activities** \$ (13,276,730)

## BONITA UNIFIED SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016

|  | General<br>Fund | Building<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|------------------|------------------------------------|--------------------------------|
| <b>REVENUES</b>  |                 |                  |                                    |                                |
| LCCF sources   | \$ 78,496,622   | \$ -             | \$ -                               | \$ 78,496,622                  |
| Federal sources  | 3,315,363       | -                | 2,703,148                          | 6,018,511                      |
| Other state sources  | 12,227,534      | -                | 194,416                            | 12,421,950                     |
| Other local sources  | 12,386,554      | 277,234          | 11,603,265                         | 24,267,053                     |
| Total Revenues   | 106,426,073     | 277,234          | 14,500,829                         | 121,204,136                    |
| <b>EXPENDITURES</b>  |                 |                  |                                    |                                |
| Current:   |                 |                  |                                    |                                |
| Instruction  | 59,304,695      | -                | -                                  | 59,304,695                     |
| Instruction-Related Services:                                |                 |                  |                                    |                                |
| Supervision of instruction                                   | 2,899,067       | -                | 93,621                             | 2,992,688                      |
| Instructional library, media and technology                  | 891,017         | -                | -                                  | 891,017                        |
| School site administration                                   | 6,195,179       | -                | -                                  | 6,195,179                      |
| Pupil Support Services:                                      |                 |                  |                                    |                                |
| Home-to-school transportation                                | 1,737,206       | -                | -                                  | 1,737,206                      |
| Food services  | 177             | -                | 2,427,858                          | 2,428,035                      |
| All other pupil services                                     | 6,316,555       | -                | 9,182                              | 6,325,737                      |
| Ancillary services   | 1,355,349       | -                | -                                  | 1,355,349                      |
| Community services   | 65,986          | -                | 1,986,638                          | 2,052,624                      |
| General Administration Services:                             |                 |                  |                                    |                                |
| Data processing services                                     | 1,753,644       | -                | -                                  | 1,753,644                      |
| Other general administration                                 | 5,372,378       | -                | 7,848                              | 5,380,226                      |
| Plant services   | 8,836,283       | 72,006           | 871,408                            | 9,779,697                      |
| Transfers of indirect costs                                  | (148,957)       | -                | 148,957                            | -                              |
| Capital Outlay   | 3,407,754       | 5,647,357        | 1,219,395                          | 10,274,506                     |
| Intergovernmental Transfers                                  | 1,028,194       | -                | -                                  | 1,028,194                      |
| Debt Service:  |                 |                  |                                    |                                |
| Issuance costs   | 218,306         | -                | 230,371                            | 448,677                        |
| Principal  | 311,149         | -                | 2,710,492                          | 3,021,641                      |
| Interest   | 633,470         | -                | 6,244,731                          | 6,878,201                      |
| Total Expenditures   | 100,177,452     | 5,719,363        | 15,950,501                         | 121,847,316                    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 6,248,621       | (5,442,129)      | (1,449,672)                        | (643,180)                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                 |                  |                                    |                                |
| Interfund transfers in                                       | -               | -                | 252,307                            | 252,307                        |
| Interfund transfers out                                      | -               | -                | (252,307)                          | (252,307)                      |
| Proceeds from capital leases                                 | 192,558         | -                | -                                  | 192,558                        |
| Proceeds from long-term debt                                 | 13,307,000      | -                | 19,315,000                         | 32,622,000                     |
| Premiums from issuance of debt                               | -               | -                | 573,372                            | 573,372                        |
| Transfer to escrow agent for defeased debt                   | -               | -                | (19,658,001)                       | (19,658,001)                   |
| Total Other Financing Sources and Uses                       | 13,499,558      | -                | 230,371                            | 13,729,929                     |
| Net Change in Fund Balances                                  | 19,748,179      | (5,442,129)      | (1,219,301)                        | 13,086,749                     |
| Fund Balances, July 1, 2015                                  | 11,217,592      | 36,374,586       | 13,881,963                         | 61,474,141                     |
| Fund Balances, June 30, 2016                                 | \$ 30,965,771   | \$ 30,932,457    | \$ 12,662,662                      | \$ 74,560,890                  |

## 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, 2016

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**Total net change in fund balances - governmental funds** \$ 13,086,749

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 | 11,337,244         |           |
| Depreciation expense            | <u>(6,674,281)</u> |           |
| Net:                            |                    | 4,662,963 |

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 18,713,754

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: (33,387,930)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year amounts and the current year amortization is: 13,325

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: 384,289

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: 582,060

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: (952,980)

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: 343,917

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: 417,513

In government funds, pension costs are recognized when employer contributions are made. in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (2,242,180)

**Change in net position of governmental activities** \$ 1,621,480

**BONITA UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2016*

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|                                      | Agency Funds                 |                          | Total               |
|--------------------------------------|------------------------------|--------------------------|---------------------|
|                                      | Payroll<br>Clearance<br>Fund | Student<br>Body<br>Funds |                     |
| <b>ASSETS</b>                        |                              |                          |                     |
| Cash                                 | \$ 409,994                   | \$ 745,310               | \$ 1,155,304        |
| Inventories - supplies and materials | -                            | 35,502                   | 35,502              |
| Total assets                         | <u>\$ 409,994</u>            | <u>\$ 780,812</u>        | <u>\$ 1,190,806</u> |
| <b>LIABILITIES</b>                   |                              |                          |                     |
| Due to regulatory agencies           | \$ 409,994                   | \$ -                     | \$ 409,994          |
| Due to student groups                | -                            | 780,812                  | 780,812             |
| Total liabilities                    | <u>\$ 409,994</u>            | <u>\$ 780,812</u>        | <u>\$ 1,190,806</u> |

# BONITA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

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

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

### B. Basis of Presentation, Basis of Accounting

#### 1. Basis of Presentation

##### Government-Wide Financial Statements

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

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

##### Fund Financial Statements

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

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 1. Basis of Presentation (continued)

###### Major Governmental Funds

The District maintains the following major governmental funds:

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

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

###### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

###### Special Revenue Funds:

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

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

###### Capital Projects Funds:

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

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

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

###### Debt Service Fund:

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

###### Fiduciary Funds

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



# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 1. Basis of Presentation (continued)

###### **Fiduciary Funds (continued)**

The District maintains the following fiduciary funds:

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

##### 2. Measurement Focus, Basis of Accounting

###### **Government-Wide and Fiduciary Fund Financial Statements**

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

###### **Governmental Fund Financial Statements**

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

##### 3. Revenues - Exchange and Non-Exchange Transactions

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

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

#### C. Budgetary Data

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

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

#### D. Encumbrances

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Inventories

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

##### 3. Capital Assets

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

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 3. Capital Assets (continued)

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

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

##### 4. Unearned Revenue

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

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

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has multiple items that qualify for reporting in this category. The first item is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item relates to the pensions which are more fully described in the footnote entitled "Pension Plans".

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has multiple items that are reported as deferred inflows of resources. These items are more fully described in the footnote entitled "Pension Plans".

##### 6. Compensated Absences

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

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

##### 7. Pensions

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

##### 8. Fund Balances

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

## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2016

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 8. Fund Balances (continued)

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

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

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

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

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

##### 9. Net Position

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

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

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

## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2016

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### F. Minimum Fund Balance Policy

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

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

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

##### G. Property Tax Calendar

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

##### H. Use of Estimates

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

##### I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

###### 1. Statement No. 72, *Fair Value Measurement and Application (Issued 02/15)*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

## BONITA UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2016*

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### I. New GASB Pronouncements (continued)

**2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Issued 06/15)***

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**3. Statement No. 79, *Certain External Investment Pools and Pool Participants (Issued 12/15)***

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2016*

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**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments at June 30, 2016, are reported at fair value and consisted of the following:

|   | <u>Rating</u> | <u>Governmental<br/>Activities/Funds</u> | <u>Fiduciary<br/>Funds</u> |
|---|---------------|--|----------------------------|
| Pooled Funds:                                 |               |  |                            |
| Cash in County Treasury                       |               | \$ 79,346,582                            | \$ 409,994                 |
| Deposits:                                     |               |  |                            |
| Cash on hand and in banks                     |               | 67,961                                   | 745,310                    |
| Cash in revolving fund                        |               | 90,000                                   | -                          |
| Cash with fiscal agent                        |               | 16,694                                   | -                          |
| Total deposits                                |               | <u>174,655</u>                           | <u>745,310</u>             |
| Total cash                                    |               | <u>\$ 79,521,237</u>                     | <u>\$ 1,155,304</u>        |
| Investments:                                  |               |  |                            |
| U.S. Bank First American Treasury Obligations | AA            | <u>\$ 970,580</u>                        |                            |

Investment security ratings reported as of June 30, 2016, 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, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.



**BONITA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2016*

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk – Deposits (continued)**

As of June 30, 2016, \$133,170 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

**Investments - Interest Rate Risk**

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2016, consist of the following:

|   | Fair<br>Value | Maturity              |                                   |
|---|---------------|-----------------------|-----------------------------------|
|   |               | Less Than<br>One Year | One Year<br>Through<br>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, 2016, 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, 2016, 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, 2016*

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**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016, consisted of the following:

|                          | General<br>Fund     | Building<br>Fund  | Non-Major<br>Governmental<br>Funds | Total               |
|--------------------------|---------------------|-------------------|------------------------------------|---------------------|
| Federal Government:      |                     |                   |                                    |                     |
| Categorical aid programs | \$ 876,820          | \$ -              | \$ 56,873                          | \$ 933,693          |
| State Government:        |                     |                   |                                    |                     |
| Lottery                  | 1,130,682           | -                 |                                    | 1,130,682           |
| Categorical aid programs | 1,028,553           | -                 | 4,388                              | 1,032,941           |
| Local:                   |                     |                   |                                    |                     |
| Interest                 | 85,507              | 106,418           | 15,779                             | 207,704             |
| Special education        | 128,808             | -                 | -                                  | 128,808             |
| Miscellaneous            | 598,786             | 100               | 23,861                             | 622,747             |
| Total                    | <u>\$ 3,849,156</u> | <u>\$ 106,518</u> | <u>\$ 100,901</u>                  | <u>\$ 4,056,575</u> |

**NOTE 4 – INTERFUND ACTIVITIES**

**Transfers To/From Other Funds**

Transfers to/from other funds during the year ended June 30, 2016, consisted of the following:

|  |                   |
|--|-------------------|
| Child Development Fund transfer to Capital Facilities Fund for sale of portable building | <u>\$ 252,307</u> |
|--|-------------------|

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2016*

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**NOTE 5 – FUND BALANCES**

At June 30, 2016, fund balances of the District's governmental funds are classified as follows:

|  | General<br>Fund      | Building<br>Fund     | Non-Major<br>Governmental<br>Funds | Total                |
|--|----------------------|----------------------|------------------------------------|----------------------|
| <b>Nonspendable:</b>                   |                      |                      |                                    |                      |
| Revolving cash                         | \$ 90,000            | \$ -                 | \$ -                               | \$ 90,000            |
| Stores inventories                     | 45,635               | -                    | 48,544                             | 94,179               |
| Total Nonspendable                     | <u>135,635</u>       | <u>-</u>             | <u>48,544</u>                      | <u>184,179</u>       |
| <b>Restricted:</b>                     |                      |                      |                                    |                      |
| Categorical programs                   | 13,231,717           | -                    | 190,324                            | 13,422,041           |
| Capital projects                       | -                    | 30,932,457           | 5,593,412                          | 36,525,869           |
| Debt service                           | -                    | -                    | 6,763,662                          | 6,763,662            |
| Total Restricted                       | <u>13,231,717</u>    | <u>30,932,457</u>    | <u>12,547,398</u>                  | <u>56,711,572</u>    |
| <b>Assigned:</b>                       |                      |                      |                                    |                      |
| School site carryovers                 | 776,164              | -                    | -                                  | 776,164              |
| Educational services carryover         | 897,450              | -                    | -                                  | 897,450              |
| Computer information systems carryover | 418,105              | -                    | -                                  | 418,105              |
| Human Resources Dept. carryover        | 33,000               | -                    | -                                  | 33,000               |
| Facilities Dept. carryover             | 548,503              | -                    | -                                  | 548,503              |
| Technology needs                       | 500,000              | -                    | -                                  | 500,000              |
| District facility needs                | 600,000              | -                    | -                                  | 600,000              |
| SELPA                                  | 300,000              | -                    | -                                  | 300,000              |
| OPEB obligation                        | 7,713,426            | -                    | -                                  | 7,713,426            |
| BCA                                    | 63,951               | -                    | -                                  | 63,951               |
| Child development program              | -                    | -                    | 66,720                             | 66,720               |
| Total Assigned                         | <u>11,850,599</u>    | <u>-</u>             | <u>66,720</u>                      | <u>11,917,319</u>    |
| <b>Unassigned:</b>                     |                      |                      |                                    |                      |
| Reserve for economic uncertainties     | 2,920,688            | -                    | -                                  | 2,920,688            |
| Remaining unassigned balances          | 2,827,132            | -                    | -                                  | 2,827,132            |
| Total Unassigned                       | <u>5,747,820</u>     | <u>-</u>             | <u>-</u>                           | <u>5,747,820</u>     |
| Total                                  | <u>\$ 30,965,771</u> | <u>\$ 30,932,457</u> | <u>\$ 12,662,662</u>               | <u>\$ 74,560,890</u> |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2016*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2016, was as follows:

|   | Balance,<br>July 1, 2015 | Additions           | Retirements         | Balance,<br>June 30, 2016 |
|---|--------------------------|---------------------|---------------------|---------------------------|
| Capital assets not being depreciated:       |                          |                     |                     |                           |
| Land  | \$ 1,711,208             | \$ -                | \$ -                | \$ 1,711,208              |
| Construction in progress                    | 35,062,313               | 9,665,571           | 2,390,032           | 42,337,852                |
| Total capital assets not being depreciated  | <u>36,773,521</u>        | <u>9,665,571</u>    | <u>2,390,032</u>    | <u>44,049,060</u>         |
| Capital assets being depreciated:           |                          |                     |                     |                           |
| Improvement of sites                        | 26,192,808               | 2,334,952           | -                   | 28,527,760                |
| Buildings                                   | 136,371,032              | 867,960             | -                   | 137,238,992               |
| Equipment                                   | 10,401,118               | 858,793             | -                   | 11,259,911                |
| Total capital assets being depreciated      | <u>172,964,958</u>       | <u>4,061,705</u>    | <u>-</u>            | <u>177,026,663</u>        |
| Accumulated depreciation for:               |                          |                     |                     |                           |
| Improvement of sites                        | (6,309,809)              | (1,214,396)         | -                   | (7,524,205)               |
| Buildings                                   | (51,519,169)             | (4,772,363)         | -                   | (56,291,532)              |
| Equipment                                   | (7,083,101)              | (687,522)           | -                   | (7,770,623)               |
| Total accumulated depreciation              | <u>(64,912,079)</u>      | <u>(6,674,281)</u>  | <u>-</u>            | <u>(71,586,360)</u>       |
| Total capital assets being depreciated, net | <u>108,052,879</u>       | <u>(2,612,576)</u>  | <u>-</u>            | <u>105,440,303</u>        |
| Governmental activity capital assets, net   | <u>\$ 144,826,400</u>    | <u>\$ 7,052,995</u> | <u>\$ 2,390,032</u> | <u>\$ 149,489,363</u>     |

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

|                                  |                             |
|----------------------------------|-----------------------------|
| Instruction                      | \$ 6,079,688                |
| School Site Administration       | 7,420                       |
| Home-to-School Transportation    | 154,747                     |
| Food Services                    | 18,233                      |
| All Other Pupil Services         | 381                         |
| Ancillary Services               | 822                         |
| Community Services               | 4,898                       |
| All Other General Administration | 94,682                      |
| Centralized Data Processing      | 180,911                     |
| Plant Services                   | 132,499                     |
|                                  | <u>                    </u> |
| Total                            | <u>\$ 6,674,281</u>         |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2016*

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**NOTE 7 – GENERAL LONG-TERM DEBT**

Changes in long-term debt for the year ended June 30, 2016, were as follows:

|                                       | Balance,<br>July 1, 2015 | Additions            | Deductions           | Balance,<br>June 30, 2016 | Amount Due<br>Within One Year |
|---------------------------------------|--------------------------|----------------------|----------------------|---------------------------|-------------------------------|
| <b>General Obligation Bonds:</b>      |                          |                      |                      |                           |                               |
| Principal payments                    | \$ 127,572,395           | \$ 19,315,000        | \$ 18,402,605        | \$ 128,484,790            | \$ 2,455,000                  |
| Accreted interest                     | 1,288,669                | 337,799              | 477,568              | 1,148,900                 | -                             |
| Unamortized issuance premium          | 7,188,130                | 573,372              | 582,060              | 7,179,442                 | 582,060                       |
| Total - General Obligation Bonds      | <u>136,049,194</u>       | <u>20,226,171</u>    | <u>19,462,233</u>    | <u>136,813,132</u>        | <u>3,037,060</u>              |
| <b>Certificates of Participation:</b> |                          |                      |                      |                           |                               |
| Principal payments                    | 942,095                  | -                    | 211,971              | 730,124                   | 199,214                       |
| Accreted interest                     | 1,079,458                | 391,114              | 635,634              | 834,938                   | 647,123                       |
| Total - COPs                          | <u>2,021,553</u>         | <u>391,114</u>       | <u>847,605</u>       | <u>1,565,062</u>          | <u>846,337</u>                |
| Capital leases                        | 279,511                  | 192,558              | 99,178               | 372,891                   | 117,606                       |
| Compensated absences                  | 1,356,741                | -                    | 3,007                | 1,353,734                 | -                             |
| CREBS                                 | -                        | 13,307,000           | -                    | 13,307,000                | -                             |
| Early retirement incentive            | 1,419,541                | 133,841              | 548,347              | 1,005,035                 | -                             |
| Other postemployment benefits         | 6,834,412                | 952,980              | -                    | 7,787,392                 | -                             |
| Net pension liability                 | 64,803,124               | 15,353,718           | -                    | 80,156,842                | -                             |
| Totals                                | <u>\$ 212,764,076</u>    | <u>\$ 50,557,382</u> | <u>\$ 20,960,370</u> | <u>\$ 242,361,088</u>     | <u>\$ 4,001,003</u>           |

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

**A. General Obligation Bonds**

**Measure "C"**

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

**Measure "AB"**

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

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

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

## **BONITA UNIFIED SCHOOL DISTRICT**

### *Notes to Financial Statements*

*June 30, 2016*

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#### **NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

##### **A. General Obligation Bonds (continued)**

###### **Measure "AB" (continued)**

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

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

###### **2012 General Obligation Refunding Bonds**

On March 21, 2012, the District issued \$22,530,000 of General Obligation Refunding Bonds. The Bonds consist of serial bonds bearing fixed rates ranging from 2.0% to 5.0% with annual maturities from August 2012 through August 2028. The net proceeds of \$26,006,991 (after issuance costs and underwriter's discount of \$194,131 and original issue premium of \$3,671,122) were used to refund a portion of the District's outstanding General Obligation Bonds, Election of 2004, Series A. Deferred amounts on refunding as of June 30, 2016, of \$2,108,287 remain to be amortized.

###### **2014 General Obligation Refunding Bonds**

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2016, of \$925,367 remain to be amortized. As of June 30, 2016, the principal balance outstanding on the defeased debt amounted to \$25,025,000.

###### **2016 General Obligation Refunding Bonds**

On March 1, 2016, the District issued \$19,315,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 5.0% with annual maturities from August 1, 2016, through August 1, 2037. The net proceeds of \$19,658,001 (after premiums of \$573,372 and issuance costs of \$230,370) were used to advance refund the District's outstanding Election of 2008 General Obligation Bonds, Series B and pay the costs of issuance.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2016

**NOTE 7 – GENERAL LONG-TERM DEBT (continued)**

**A. General Obligation Bonds (continued)**

**2016 General Obligation Refunding Bonds (continued)**

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2016, of \$233,336 remain to be amortized. As of June 30, 2016, the principal balance outstanding on the defeased debt amounted to \$15,692,605.

The refunding decreased the District's total debt service payments by \$3,463,324. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$2,267,274.

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, 2015 | Additions            | Deductions           | Balance, June 30, 2016 |
|--------------------------------------|------------|---------------|---------------|-----------------------|-----------------------|----------------------|----------------------|------------------------|
| <b>Election of 2004 (Measure C)</b>  |            |               |               |                       |                       |                      |                      |                        |
| 2004 A                               | 7/22/2004  | 8/1/2028      | 5.0%-5.48%    | \$ 29,999,790         | \$ 224,790            | \$ -                 | \$ -                 | \$ 224,790             |
| 2004 B                               | 12/20/2006 | 8/1/2031      | 3.625%-5.0%   | 26,360,000            | 650,000               | -                    | 300,000              | 350,000                |
| <b>Election of 2008 (Measure AB)</b> |            |               |               |                       |                       |                      |                      |                        |
| 2008 A                               | 9/23/2009  | 8/1/2021      | 4.0%-5.0%     | 5,400,000             | 2,790,000             | -                    | 450,000              | 2,340,000              |
| 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            | 15,992,605            | -                    | 15,992,605           | -                      |
| 2008 B-1                             | 5/26/2011  | 8/1/2025      | 5.06%-5.56%   | 9,455,000             | 8,470,000             | -                    | 455,000              | 8,015,000              |
| 2008 C                               | 3/27/2014  | 8/1/2038      | 4.0%-5.0%     | 27,300,000            | 27,300,000            | -                    | -                    | 27,300,000             |
| <b>Refunding Bonds</b>               |            |               |               |                       |                       |                      |                      |                        |
| 2012 Ref.                            | 3/21/2012  | 8/1/2028      | 2.0%-5.0%     | 22,530,000            | 22,290,000            | -                    | 860,000              | 21,430,000             |
| 2014 Ref.                            | 10/2/2014  | 8/1/2031      | 2.0%-5.0%     | 25,255,000            | 25,255,000            | -                    | 345,000              | 24,910,000             |
| 2016 Ref.                            | 3/1/2016   | 8/1/2037      | 2.0%-5.0%     | 19,315,000            | -                     | 19,315,000           | -                    | 19,315,000             |
|                                      |            |               |               | <u>\$ 207,017,395</u> | <u>\$ 127,572,395</u> | <u>\$ 19,315,000</u> | <u>\$ 18,402,605</u> | <u>\$ 128,484,790</u>  |

|                   | Balance, July 1, 2015 | Additions         | Deductions        | Balance, June 30, 2016 |
|-------------------|-----------------------|-------------------|-------------------|------------------------|
| Accreted Interest |                       |                   |                   |                        |
| 2004 A            | \$ 207,488            | \$ 27,706         | \$ -              | \$ 235,194             |
| 2008 A            | 726,750               | 186,956           | -                 | 913,706                |
| 2008 B            | 354,431               | 123,137           | 477,568           | -                      |
|                   | <u>\$ 1,288,669</u>   | <u>\$ 337,799</u> | <u>\$ 477,568</u> | <u>\$ 1,148,900</u>    |

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2016, were as follows:

| Fiscal Year | Principal             | Interest             | Total                 |
|-------------|-----------------------|----------------------|-----------------------|
| 2016-2017   | \$ 2,455,000          | \$ 6,030,780         | \$ 8,485,780          |
| 2017-2018   | 2,655,000             | 6,021,236            | 8,676,236             |
| 2018-2019   | 2,960,000             | 5,950,261            | 8,910,261             |
| 2019-2020   | 2,675,910             | 5,854,711            | 8,530,621             |
| 2020-2021   | 2,985,490             | 5,773,311            | 8,758,801             |
| 2021-2026   | 23,423,600            | 25,758,088           | 49,181,688            |
| 2026-2031   | 37,504,790            | 18,137,951           | 55,642,741            |
| 2031-2036   | 32,270,000            | 8,285,386            | 40,555,386            |
| 2036-2039   | 21,555,000            | 1,559,822            | 23,114,822            |
| Total       | <u>\$ 128,484,790</u> | <u>\$ 83,371,546</u> | <u>\$ 211,856,336</u> |

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 7 - GENERAL LONG-TERM DEBT (continued)

#### 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, 2016, the principal balance outstanding on the capital appreciation component of the 1993 certificates was \$730,124, in addition to \$834,938 of accreted interest.

The annual requirements to amortize certificates of participation outstanding as of June 30, 2016, were as follows:

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u>     | <u>Total</u>        |
|--------------------|-------------------|---------------------|---------------------|
| 2016-2017          | \$ 199,214        | \$ 647,123          | \$ 846,337          |
| 2017-2018          | 187,438           | 658,597             | 846,035             |
| 2018-2019          | 176,643           | 670,455             | 847,098             |
| 2019-2020          | 166,829           | 683,171             | 850,000             |
| Total              | <u>\$ 730,124</u> | <u>\$ 2,659,346</u> | <u>\$ 3,389,470</u> |

#### C. Capital Leases

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

| <u>Fiscal Year</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|--------------------|-------------------|------------------|-------------------|
| 2016-2017          | \$ 117,606        | \$ 14,339        | \$ 131,945        |
| 2017-2018          | 114,271           | 8,053            | 122,324           |
| 2018-2019          | 74,635            | 3,244            | 77,879            |
| 2019-2020          | 46,426            | 1,229            | 47,655            |
| 2020-2021          | 19,953            | 243              | 20,196            |
| Total              | <u>\$ 372,891</u> | <u>\$ 27,108</u> | <u>\$ 399,999</u> |

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



# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 7 – GENERAL LONG-TERM DEBT (continued)

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

Currently, 115 retirees are receiving benefits under these programs. Expenditures are recognized on a pay-as-you-go basis, as employees are paid. During the year, expenditures of \$548,347 were incurred for retiree incentives.

The estimated future liability at June 30, 2016, is \$1,005,035. 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.

#### E. Clean Renewable Energy Bonds (CREBs)

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

The annual requirements to amortize clean renewable energy bonds outstanding as of June 30, 2016, were as follows:

| Fiscal Year | Principal            | Interest            | Total                |
|-------------|----------------------|---------------------|----------------------|
| 2016-2017   | \$ -                 | \$ 482,100          | \$ 482,100           |
| 2017-2018   | 554,000              | 497,212             | 1,051,212            |
| 2018-2019   | 585,000              | 458,003             | 1,043,003            |
| 2019-2020   | 617,000              | 436,460             | 1,053,460            |
| 2020-2021   | 650,000              | 413,744             | 1,063,744            |
| 2021-2026   | 3,817,000            | 1,681,779           | 5,498,779            |
| 2026-2031   | 4,826,000            | 908,377             | 5,734,377            |
| 2031-2033   | 2,258,000            | 103,413             | 2,361,413            |
| Total       | <u>\$ 13,307,000</u> | <u>\$ 4,981,088</u> | <u>\$ 18,288,088</u> |

## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2016

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#### NOTE 8 – JOINT VENTURES

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

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

Condensed audited financial information for the year ended June 30, 2015 for ASCIP and VIP is as follows:

|                                      | ASCIP                 | VIP                 |
|--------------------------------------|-----------------------|---------------------|
| Total Assets                         | \$ 369,904,431        | \$ 26,180,521       |
| Total Deferred Outflows of Resources | 354,308               | -                   |
| Total Liabilities                    | 212,247,664           | 17,030,831          |
| Total Deferred Inflows of Resources  | 443,374               | -                   |
| Fund Equity                          | <u>\$ 157,567,701</u> | <u>\$ 9,149,690</u> |
| Total Revenues                       | \$ 228,708,274        | \$ 5,431,918        |
| Total Expenses                       | <u>216,205,772</u>    | <u>3,120,999</u>    |
| Net Increase in Fund Equity          | <u>\$ 12,502,502</u>  | <u>\$ 2,310,919</u> |

#### NOTE 9 – RISK MANAGEMENT

##### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, 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 2016, 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 2016, the District had a cap of \$7,500 on employer paid health and welfare benefits. The District has contracted with the California Public Employment Retirement System (CalPERS) Health Plan and with Kaiser Permanente to provide medical and surgical benefits, and with Delta Care, Delta Dental, and United Concordia for dental benefits. Vision benefits are provided through Vision Service Plan. Disability insurance, cancer insurance, and accident insurance are also options available to employees.

## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2016

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#### NOTE 10 – COMMITMENTS AND CONTINGENCIES

##### A. State and Federal Allowances, Awards, and Grants

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

##### B. Construction Commitments

As of June 30, 2016, the District had commitments with respect to unfinished capital projects of approximately \$22.3 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 11 – PENSION PLANS

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

##### A. General Information about the Pension Plans

###### Plan Descriptions

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. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also 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. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

###### Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

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### NOTE 11 - PENSION PLANS (continued)

#### A. General Information about the Pension Plans (continued)

##### Benefits Provided (continued)

There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*.

To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013, must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

##### Contributions

Active CalSTRS plan members under *2% at 60* were required to contribute 9.2% and plan members under *2% at 62* were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

|  | CalSTRS      | CalPERS      |
|--|--------------|--------------|
| Employer contributions                   | \$ 4,858,590 | \$ 1,705,624 |
| Employer contributions paid by the State | \$ 2,828,802 | \$ -         |
| Employee contributions paid by employer  | \$ -         | \$ -         |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2016*

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**NOTE 11 - PENSION PLANS (continued)**

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

|                             | <u>Proportionate Share<br/>of Net Pension Liability</u> |
|-----------------------------|---|
| CalSTRS                     | \$ 61,938,080   |
| CalPERS                     | <u>18,218,762</u>                                       |
| Total Net Pension Liability | <u><u>\$ 80,156,842</u></u>                             |

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015, was as follows:

|                              | <u>CalSTRS</u>        | <u>CalPERS</u>        |
|------------------------------|-----------------------|-----------------------|
| Proportion - June 30, 2014   | 0.0890%               | 0.1127%               |
| Proportion - June 30, 2015   | <u>0.0920%</u>        | <u>0.1236%</u>        |
| Change - Increase (Decrease) | <u><u>0.0030%</u></u> | <u><u>0.0109%</u></u> |

For the year ended June 30, 2016, the District recognized pension expense of \$14,998,574. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date                         | \$ 6,564,214                              | \$ -                                     |
| Differences between actual and expected experience                           | 1,041,229                                 | (1,035,000)                              |
| Changes in assumptions   | -   | (1,119,411)                              |
| Adjustment due to differences in proportions                                 | 3,847,415                                 | -  |
| Net differences between projected and actual earnings<br>on plan investments | <u>2,992,238</u>                          | <u>(8,665,024)</u>                       |
|  | <u><u>\$ 14,445,096</u></u>               | <u><u>\$ (10,819,435)</u></u>            |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2016

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**NOTE 11 – PENSION PLANS (continued)**

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

The total amount of \$6,564,214 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended<br>June 30, | Amount       |
|------------------------|--------------|
| 2017                   | \$ (903,479) |
| 2018                   | (1,327,092)  |
| 2019                   | 286,204      |
| 2020                   | (147,857)    |
| 2021                   | (147,857)    |
| Thereafter             | -            |

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

|                                  | <u>CalSTRS</u>   | <u>CalPERS</u>   |
|----------------------------------|------------------|------------------|
| Valuation Date                   | June 30, 2014    | June 30, 2014    |
| Measurement Date                 | June 30, 2015    | June 30, 2015    |
| Actuarial Cost Method            | Entry age normal | Entry age normal |
| Actuarial Assumptions:           |                  |                  |
| Discount Rate                    | 7.60%            | 7.65%            |
| Inflation                        | 3.00%            | 2.75%            |
| Wage Growth                      | 3.75%            | Varies           |
| Post-retirement Benefit Increase | 2.00%            | 2.00%            |
| Investment Rate of Return        | 7.60%            | 7.65%            |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

# BONITA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2016

### NOTE 11 – PENSION PLANS (continued)

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

##### **Discount Rate** – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class                   | Target Allocation |             | Long-Term Expected Rate of Return |         |
|-------------------------------|-------------------|-------------|-----------------------------------|---------|
|                               | CalSTRS           | CalPERS     | CalSTRS                           | CalPERS |
| Global Equity                 | 47%               | 51%         | 4.50%                             | 5.71%   |
| Global Debt Securities        | N/A               | 19%         | N/A                               | 2.43%   |
| Inflation Sensitive           | 5%                | 6%          | 3.20%                             | 3.36%   |
| Private Equity                | 12%               | 10%         | 6.20%                             | 6.95%   |
| Real Estate                   | 15%               | 10%         | 4.35%                             | 5.13%   |
| Infrastructure and Forestland | N/A               | 2%          | N/A                               | 5.09%   |
| Fixed Income                  | 20%               | N/A         | 0.20%                             | N/A     |
| Liquidity                     | 1%                | 2%          | 0.00%                             | -1.05%  |
|                               | <u>100%</u>       | <u>100%</u> |                                   |         |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2016

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**NOTE 11 – PENSION PLANS (continued)**

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

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

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

|                       | <u>CalSTRS</u> | <u>CalPERS</u> |
|-----------------------|----------------|----------------|
| 1% Decrease           | 6.60%          | 6.65%          |
| Net Pension Liability | \$ 93,521,680  | \$ 29,652,552  |
| Current Discount Rate | 7.60%          | 7.65%          |
| Net Pension Liability | \$ 61,938,080  | \$ 18,218,762  |
| 1% Increase           | 8.60%          | 8.65%          |
| Net Pension Liability | \$ 35,689,560  | \$ 8,710,800   |

***Pension Plan Fiduciary Net Position***

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

**C. Payable to the Pension Plans**

At June 30, 2016, the District reported a payable of \$341,952 and \$108,259 for the outstanding amount of contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2016.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS**

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

**Plan Descriptions and Contribution Information**

Membership in the plan consisted of the following:

|  |            |
|--|------------|
| Retirees and beneficiaries receiving benefits* | 154        |
| Active plan members*                           | 593        |
| Total  | <u>747</u> |

\* As of July 1, 2014, actuarial valuation

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



## BONITA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2016

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#### NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

##### Special Arrangements for Contract Employees

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

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2015-16, the District contributed \$153,301.

##### Annual OPEB Cost and Net OPEB Obligation

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

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

|  |    |                         |
|--|----|-------------------------|
| Annual required contribution (ARC)         | \$ | 1,198,434               |
| Interest on net OPEB obligation            |    | 341,721                 |
| Adjustment to annual required contribution |    | (433,874)               |
| Annual OPEB cost (expense)                 |    | <u>1,106,281</u>        |
| Contributions made: Pay-as-you-go costs    |    | <u>(153,301)</u>        |
| Increase (decrease) in net OPEB obligation |    | 952,980                 |
| Net OPEB obligation, beginning of year     |    | <u>6,834,412</u>        |
| Net OPEB obligation, end of year           | \$ | <u><u>7,787,392</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years are as follows:

| Year Ended<br>June 30, | Annual<br>OPEB Cost | Percentage<br>Contributed | Net<br>OPEB<br>Obligation |
|------------------------|---------------------|---------------------------|---------------------------|
| 2016                   | \$ 1,106,281        | 13.9%                     | \$ 7,787,392              |
| 2015                   | \$ 1,118,814        | 16.9%                     | \$ 6,834,412              |
| 2014                   | \$ 1,231,087        | 7.6%                      | \$ 5,904,905              |

##### Funded Status and Funding Progress – OPEB Plans

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

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2016*

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**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions**

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

Additional information as of the latest actuarial valuation follows:

|                               |                     |
|-------------------------------|---------------------|
| Valuation date                | July 1, 2014        |
| Actuarial cost method         | Unit credit         |
| Amortization method           | Level dollar method |
| Remaining amortization period | 30 years            |
| Asset valuation               | N/A                 |
| Actuarial assumptions:        |                     |
| Healthcare cost trend rate    | 7.0%                |
| Discount rate                 | 5.0%                |

**NOTE 13 – SUBSEQUENT EVENT**

**2016 General Obligation Refunding Bonds**

On August 11, 2016, the District issued \$24,060,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 2.0% and 4.0% with annual maturities from August 1, 2022 through August 1, 2034. The net proceeds of \$26,338,193 (after premiums of \$2,520,332 and issuance costs of \$242,139) were used to advance refund a portion of the District's outstanding General Obligation Bonds Series B. The refunding decreased the District's total debt service payments by \$3,102,004. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$2,382,110.

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***Required Supplementary Information***

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**BONITA UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2016*

|  | <u>Budgeted Amounts</u> |                     | <u>Actual*</u><br><u>(Budgetary Basis)</u> | <u>Variance with</u><br><u>Final Budget -</u><br><u>Pos (Neg)</u> |
|--|-------------------------|---------------------|--|---|
|  | <u>Original</u>         | <u>Final</u>        |  |   |
| <b>Revenues</b>  |                         |                     |  |   |
| LCFF Sources   | \$ 77,957,610           | \$ 77,957,610       | \$ 78,496,622                              | \$ 539,012  |
| Federal  | 2,986,263               | 2,986,263           | 3,315,363                                  | 329,100   |
| Other State  | 8,299,549               | 8,299,549           | 9,406,337                                  | 1,106,788   |
| Other Local  | 10,348,654              | 10,348,654          | 12,386,554                                 | 2,037,900   |
| <b>Total Revenues</b>  | <b>99,592,076</b>       | <b>99,592,076</b>   | <b>103,604,876</b>                         | <b>4,012,800</b>  |
| <b>Expenditures</b>  |                         |                     |  |   |
| Current:   |                         |                     |  |   |
| Certificated Salaries  | 46,177,096              | 46,109,134          | 46,109,134                                 | -   |
| Classified Salaries  | 14,074,694              | 14,565,822          | 14,565,822                                 | -   |
| Employee Benefits  | 17,195,035              | 16,271,668          | 16,271,667                                 | 1   |
| Books and Supplies   | 4,077,631               | 4,594,521           | 4,594,520                                  | 1   |
| Services and Other Operating Expenditures                    | 11,262,415              | 9,873,699           | 9,873,699                                  | -   |
| Capital Outlay   | 548,840                 | 4,117,557           | 4,117,556                                  | 1   |
| Intergovernmental Transfers                                  | 1,689,042               | 1,689,042           | 1,823,857                                  | (134,815)   |
| <b>Total Expenditures</b>                                    | <b>95,024,753</b>       | <b>97,221,443</b>   | <b>97,356,255</b>                          | <b>(134,812)</b>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 4,567,323               | 2,370,633           | 6,248,621                                  | 3,877,988   |
| <b>Other Financing Sources and Uses</b>                      |                         |                     |  |   |
| Proceeds from long-term debt                                 | -                       | -                   | 13,499,558                                 | 13,499,558  |
| <b>Total Other Financing Sources and Uses</b>                | <b>-</b>                | <b>-</b>            | <b>13,499,558</b>                          | <b>13,499,558</b>   |
| <b>Net Change in Fund Balances</b>                           | <b>4,567,323</b>        | <b>2,370,633</b>    | <b>19,748,179</b>                          | <b>17,377,546</b>   |
| Fund Balances, July 1, 2015                                  | 5,953,951               | 6,186,302           | 11,217,592                                 | -   |
| <b>Fund Balances, June 30, 2016</b>                          | <b>\$ 10,521,274</b>    | <b>\$ 8,556,935</b> | <b>\$ 30,965,771</b>                       | <b>\$ 17,377,546</b>  |

\*On-behalf payments of \$2,821,197 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but are not included in the actual amounts above.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Funding Progress*  
*For the Fiscal Year Ended June 30, 2016*

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| Actuarial<br>Valuation<br>Date | Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered<br>Payroll |
|--------------------------------|--------------------|--|---------------------------|-----------------|--------------------|--|
| July 1, 2010                   | \$ -               | \$ 10,504,116                              | \$ 10,504,116             | 0.0%            | \$ 49,285,873      | 21.3%  |
| July 1, 2012                   | \$ -               | \$ 10,702,324                              | \$ 10,702,324             | 0.0%            | \$ 46,817,107      | 22.9%  |
| July 1, 2014                   | \$ -               | \$ 10,805,523                              | \$ 10,805,323             | 0.0%            | \$ 55,133,792      | 19.6%  |

**BONITA UNIFIED SCHOOL DISTRICT***Schedule of Proportionate Share of the Net Pension Liability  
For the Fiscal Year Ended June 30, 2016*


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|  | Last Ten Fiscal Years* |               |
|--|------------------------|---------------|
|  | <u>2015</u>            | <u>2014</u>   |
| District's proportion of the net pension liability (asset):  |                        |               |
| CalSTRS  | 0.0920%                | 0.0890%       |
| CalPERS  | 0.1236%                | 0.1127%       |
| District's proportionate share of the net pension liability (asset):   |                        |               |
| CalSTRS  | \$ 61,938,080          | \$ 52,008,930 |
| CalPERS  | \$ 18,218,762          | \$ 12,794,194 |
| District's covered-employee payroll:   |                        |               |
| CalSTRS  | \$ 43,418,097          | \$ 39,697,515 |
| CalPERS  | \$ 13,686,645          | \$ 11,907,236 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll: |                        |               |
| CalSTRS  | 142.7%                 | 131.0%        |
| CalPERS  | 133.1%                 | 107.4%        |
| Plan fiduciary net position as a percentage of the total pension liability:  |                        |               |
| CalSTRS  | 74.0%                  | 76.5%         |
| CalPERS  | 79.4%                  | 83.4%         |

\*

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



**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Contributions*  
*For the Fiscal Year Ended June 30, 2016*

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Last Ten Fiscal Years\*

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Actuarially determined contribution:                                     |                     |                     |
| CalSTRS  | \$ 3,855,527        | \$ 3,275,045        |
| CalPERS  | \$ 1,611,055        | \$ 1,362,426        |
| Contributions in relation to the<br>actuarially determined contribution: |                     |                     |
| CalSTRS  | \$ 3,855,527        | \$ 3,275,045        |
| CalPERS  | <u>\$ 1,611,055</u> | <u>\$ 1,362,426</u> |
| Contribution deficiency (excess):  |                     |                     |
| CalSTRS  | <u>\$ -</u>         | <u>\$ -</u>         |
| CalPERS  | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered-employee payroll:                                     |                     |                     |
| CalSTRS  | \$ 43,418,097       | \$ 39,697,515       |
| CalPERS  | \$ 13,686,645       | \$ 11,907,236       |
| Contributions as a percentage of<br>covered-employee payroll:            |                     |                     |
| CalSTRS  | 8.88%               | 8.25%               |
| CalPERS  | 11.771%             | 11.442%             |

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

## **BONITA UNIFIED SCHOOL DISTRICT**

### *Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2016*

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#### **NOTE 1 – PURPOSE OF SCHEDULES**

##### **Budgetary Comparison Schedule**

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

##### **Schedule of Funding Progress**

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

##### **Schedule of Proportionate Share of the Net Pension Liability**

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

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

##### **Schedule of Contributions**

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

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

#### **NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS**

##### **Benefit Changes**

There were no changes to benefit terms that applied to all members of the Schools Pool.

##### **Changes of Assumptions**

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in the General Fund presented in the Budgetary Comparison Schedule:

| <u>Appropriations Category</u> | <u>Excess<br/>Expenditures</u> |
|--------------------------------|--------------------------------|
| Intergovernmental Transfers    | \$ 134,815                     |

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***Supplementary Information***

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## **BONITA UNIFIED SCHOOL DISTRICT**

### *Local Educational Agency Organization Structure*

*June 30, 2016*

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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**

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| <b>Member</b>    | <b>Office</b>  | <b>Term Expires</b> |
|------------------|----------------|---------------------|
| Jim Elliot       | President      | December, 2019      |
| Glenn Creiman    | Vice-President | December, 2019      |
| Diane Koach      | Member         | December, 2019      |
| Patti Latourelle | Member         | December, 2017      |
| Chuck Coyne      | Member         | December, 2017      |

#### **DISTRICT ADMINISTRATORS**

Gary Rapkin, Ph.D.,<sup>1</sup>  
*Interim Superintendent*

William Roberts IV,  
*Assistant Superintendent, Human Resources Development*

Nanette Hall,  
*Assistant Superintendent, Educational Services*

Ann Sparks,  
*Assistant Superintendent, Business Services*

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<sup>1</sup> As of July 6, 2016, Christina Goennier, Ed.D. became the Superintendent.

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2016*

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|   | <b>Second Period<br/>Report</b> | <b>Annual<br/>Report</b>      |
|---|---------------------------------|-------------------------------|
|   | Certificate No.<br>(89B1D3EA)   | Certificate No.<br>(5F65CF05) |
| <b>Regular ADA:</b>   |                                 |                               |
| Transitional Kindergarten through Third                     | 2,819.01                        | 2,829.21                      |
| Fourth through Sixth  | 2,089.09                        | 2,087.76                      |
| Seventh through Eighth                                      | 1,566.61                        | 1,564.49                      |
| Ninth through Twelfth                                       | 3,320.04                        | 3,309.58                      |
|   | <hr/>                           | <hr/>                         |
| Total Regular ADA   | 9,794.75                        | 9,791.04                      |
| <b>Special Education, Nonpublic, Nonsectarian Schools:</b>  |                                 |                               |
| Transitional Kindergarten through Third                     | 4.98                            | 5.15                          |
| Fourth through Sixth  | 9.64                            | 9.80                          |
| Seventh through Eighth                                      | 14.81                           | 15.33                         |
| Ninth through Twelfth                                       | 38.97                           | 41.15                         |
|   | <hr/>                           | <hr/>                         |
| Total Special Education, Nonpublic,<br>Nonsectarian Schools | 68.40                           | 71.43                         |
|   | <hr/>                           | <hr/>                         |
| Total ADA   | 9,863.15                        | 9,862.47                      |
|   | <hr/> <hr/>                     | <hr/> <hr/>                   |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2016*

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| <u>Grade Level</u> | <u>Requirement</u> | 2015-16<br><u>Actual<br/>Minutes</u> | Number of Days<br><u>Traditional<br/>Calendar</u> | <u>Status</u> |
|--------------------|--------------------|--------------------------------------|---|---------------|
| Kindergarten       | 36,000             | 46,850                               | 180   | Complied      |
| Grade 1            | 50,400             | 50,630                               | 180   | Complied      |
| Grade 2            | 50,400             | 50,630                               | 180   | Complied      |
| Grade 3            | 50,400             | 50,610                               | 180   | Complied      |
| Grade 4            | 54,000             | 56,615                               | 180   | Complied      |
| Grade 5            | 54,000             | 56,615                               | 180   | Complied      |
| Grade 6            | 54,000             | 58,260                               | 180   | Complied      |
| Grade 7            | 54,000             | 58,260                               | 180   | Complied      |
| Grade 8            | 54,000             | 58,260                               | 180   | Complied      |
| Grade 9            | 64,800             | 65,024                               | 180   | Complied      |
| Grade 10           | 64,800             | 65,024                               | 180   | Complied      |
| Grade 11           | 64,800             | 65,024                               | 180   | Complied      |
| Grade 12           | 64,800             | 65,024                               | 180   | Complied      |



**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2016*

| General Fund   | (Budget) <sup>2</sup><br>2017 | 2016 <sup>4</sup>     | 2015                  | 2014                  |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues and other financing sources                 | \$ 101,327,978                | \$ 117,104,434        | \$ 90,893,691         | \$ 81,375,286         |
| Expenditures   | 101,246,389                   | 97,356,255            | 93,276,307            | 81,756,012            |
| Change in fund balance (deficit)                     | 81,589                        | 19,748,179            | (2,382,616)           | (380,726)             |
| Ending fund balance                                  | <u>\$ 31,047,360</u>          | <u>\$ 30,965,771</u>  | <u>\$ 11,217,592</u>  | <u>\$ 13,600,208</u>  |
| Available Reserves <sup>1</sup>                      | <u>\$ 8,146,467</u>           | <u>\$ 5,747,820</u>   | <u>\$ 7,457,730</u>   | <u>\$ 10,333,429</u>  |
| Available Reserves as a percentage<br>of Total Outgo | <u>8.0%</u>                   | <u>5.9%</u>           | <u>8.0%</u>           | <u>12.6%</u>          |
| Total Long-Term Debt                                 | <u>\$ 238,360,085</u>         | <u>\$ 242,361,088</u> | <u>\$ 212,764,076</u> | <u>\$ 228,978,207</u> |
| Average Daily Attendance at P-2 <sup>3</sup>         | <u>9,900</u>                  | <u>9,863</u>          | <u>9,803</u>          | <u>9,649</u>          |

The General Fund balance has increased by \$17,365,563 over the past two years. The fiscal year 2016-17 adopted budget projects an increase of \$81,589. 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 two of the past three years, but anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long-term debt has increased by \$13,382,881 over the past two years.

Average daily attendance has increased by 214 over the past two years. An increase of 37 ADA is anticipated during fiscal year 2016-17.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> As of September, 2016.

<sup>3</sup> Excludes Adult Education and ROC/P ADA.

<sup>4</sup> On-behalf payments of \$2,821,197 have been included in the Statement of Revenues, Expenditures, and Changes in Fund Balances but are not included in the actual amounts above.

**BONITA UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2016*

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|  | <u>Cafeteria<br/>Fund</u> |
|--|---------------------------|
| June 30, 2016, annual financial and budget report fund balance | \$ 281,176                |
| Adjustments and reclassifications:                             |                           |
| Increase (decrease) in total fund balances:                    |                           |
| Revenues overstated  | <u>(42,308)</u>           |
| June 30, 2016, audited financial statement fund balances       | <u><u>\$ 238,868</u></u>  |

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2016*

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Cluster<br>Expenditure | Federal<br>Expenditures |
|--|---------------------------|--|------------------------|-------------------------|
| Federal Programs:  |                           |  |                        |                         |
| U.S. Department of Agriculture:                                  |                           |  |                        |                         |
| Passed through California Dept. of Education (CDE):              |                           |  |                        |                         |
| Child Nutrition Cluster  |                           |  |                        |                         |
| School Breakfast Program   | 10.553                    | 13390  | \$ 3,170               |                         |
| Especially Needy Breakfast                                       | 10.553                    | 13390  | 283,077                |                         |
| National School Lunch Program                                    | 10.555                    | 13391  | 1,250,778              |                         |
| USDA - Donated Foods   | 10.555                    | N/A  | 181,259                |                         |
| Subtotal Child Nutrition Cluster                                 |                           |  |                        | \$ 1,718,284            |
| Forest Reserve   | 10.665                    | 10044  |                        | 24,148                  |
| Total U.S. Department of Agriculture                             |                           |  |                        | 1,742,432               |
| 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  |                        | 802,280                 |
| Title II, Part A, Improving Teacher Quality Local Grants         | 84.367                    | 14341  |                        | 221,367                 |
| English Language Acquisition Cluster:                            |                           |  |                        |                         |
| Title III, Limited English Proficient (LEP) Program              | 84.365                    | 14346  | 59,062                 |                         |
| Title III, Immigrant Education Program                           | 84.365                    | 15146  | 8,939                  |                         |
| Subtotal English Language Acquisition Cluster                    |                           |  |                        | 68,001                  |
| Vocational & Applied Tech Secondary II, Carl Perkins Act         | 84.048                    | 14894  |                        | 48,796                  |
| Workability II, Transitions Partnership Program                  | 84.126                    | 10006  |                        | 2,114                   |
| Passed through SELPA:  |                           |  |                        |                         |
| Individuals with Disabilities Education Act (IDEA):              |                           |  |                        |                         |
| Special Education (IDEA) Cluster:                                |                           |  |                        |                         |
| Basic Local Assistance Entitlement, Part B                       | 84.027                    | 13379  | 1,511,312              |                         |
| Preschool Grants, Part B   | 84.173                    | 13430  | 36,645                 |                         |
| Preschool Local Entitlement, Part B                              | 84.027A                   | 13682  | 50,405                 |                         |
| Mental Health Allocation Plan, Part B                            | 84.027                    | 14468  | 239,072                |                         |
| Preschool Staff Development, Part B                              | 84.173A                   | 13431  | 371                    |                         |
| Supporting Inclusive Practices                                   | 84.027A                   | 13693  | 1,857                  |                         |
| Subtotal Special Education (IDEA) Cluster                        |                           |  |                        | 1,839,662               |
| Total U.S. Department of Education                               |                           |  |                        | 2,982,220               |
| U.S. Department of Health & Human Services:                      |                           |  |                        |                         |
| Medicaid Cluster:  |                           |  |                        |                         |
| Medi-Cal Billing Option  | 93.778                    | 10013  | 224,891                |                         |
| Medi-Cal Administrative Activities (MAA)                         | N/A                       | 10060  | 84,104                 |                         |
| Subtotal Medicaid Cluster  |                           |  |                        | 308,995                 |
| Total U.S. Department of Health & Human Services                 |                           |  |                        | 308,995                 |
| Total Expenditures of Federal Awards                             |                           |  |                        | \$ 5,033,647            |

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

**BONITA UNIFIED SCHOOL DISTRICT**  
*Note to the Supplementary Information*  
*June 30, 2016*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by Education Code Section 46201.

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Schedule of Expenditures of Federal Awards**

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The District did not elect to use the ten percent de minimis indirect cost rate.

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***Other Independent Auditors' Reports***

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

Board of Education  
Bonita Unified School District  
San Dimas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bonita Unified School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Bonita Unified School District's basic financial statements, and have issued our report thereon dated November 7, 2016.

**Internal Control Over Financial Reporting**

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

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

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



**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 7, 2016



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education  
Bonita Unified School District  
San Dimas, California

### **Report on State Compliance**

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Bonita Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2016.

### **Management's Responsibility**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Bonita Unified School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Bonita Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

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

***Unmodified Opinion on Compliance with State Programs***

In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Murrieta, California  
November 7, 2016



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

Board of Education  
Bonita Unified School District  
San Dimas, California

**Report on Compliance for Each Major Federal Program**

We have audited Bonita Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bonita Unified School District's major federal programs for the year ended June 30, 2016. Bonita Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Bonita Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

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

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



Murrieta, California  
November 7, 2016

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***Findings and Questioned Costs***

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**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2016*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

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

***Federal Awards***

|  |                      |
|--|----------------------|
| Internal control over major programs:  |                      |
| Material weakness(es) identified?  | <u>No</u>            |
| Significant deficiency(s) identified not considered to be material weaknesses?                                 | <u>None reported</u> |
| Type of auditor's report issued on compliance for major programs:  | <u>Unmodified</u>    |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 | <u>No</u>            |

|                                   |   |
|-----------------------------------|---|
| Identification of major programs: |   |
| <u>CFDA Numbers</u>               | <u>Name of Federal Program or Cluster</u> |
| <u>84.010</u>                     | <u>Title I, Part A</u>                    |
| <u>10.553, 10.555</u>             | <u>Child Nutrition Cluster</u>            |

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

***State Awards***

|   |                   |
|---|-------------------|
| Type of auditor's report issued on compliance for state programs: | <u>Unmodified</u> |
|---|-------------------|



**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2016*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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

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

***There were no financial statement findings in 2015-16.***

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2016*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

*There were no federal award findings or questioned costs in 2015-16.*

**BONITA UNIFIED SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2016*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

*There were no state award findings or questioned costs in 2015-16.*

**BONITA UNIFIED SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2016*

| Original Finding No.  | Finding   | Code  | Recommendation  | Current Status |
|---|---|-------|---|----------------|
| <i>Finding 2015-1:<br/>           CALPADS<br/>           Unduplicated<br/>           Pupil Counts</i> | <p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> <li>• Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)).</li> <li>• Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.</li> </ul> <p>During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted twenty-two students that were reported as qualifying for free or reduced priced meals who did not have an application on file for the 2014-15 fiscal year. This is due to the fact that the District applied the local "grace period" to the CALPADS reporting and as a result, many students in the CALPADS system are reported based on 2013-14 application data instead of 2014-15 application data. Additionally, we noted students that were incorrectly reported as qualifying for free or reduced priced meals due to the student information system not being updated to match the Child Nutrition Services internal system.</p> | 40000 | <p>We recommend that the District work with the Child Nutrition Services department to update the CALPADS system once all applications are received. Although there is a grace period recognized at a local level, the District should update CALPADS retroactively to reflect the current year application information in the reporting software. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting, is updated to reflect the changes made in the Child Nutrition Services internal system prior to the submission of the CALPADS report.</p> | Implemented.   |

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

In planning and performing our audit of the basic financial statements of Bonita Unified School District for the year ending June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 7, 2016, on the financial statements of Bonita Unified School District.

#### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

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

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

**Observation:** During our testing of cash disbursements at **Ramona Middle** and **Bonita High**, our sample included expenditures that appear to be missing supporting documentation such as invoice or receipt. Issuing payment for purchases without proper supporting documentation can provide the opportunity for the misappropriation of student funds.

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

**ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)**

**Observation:** During our test of cash disbursements at **Ramona Middle**, it was noted that 2 disbursements were missing the three required approval signatures. In addition, at **Ramona Middle** and **Bonita High**, it was noted that disbursements were not always being approved prior to being incurred.

**Recommendation:** Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. We recommend that as a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

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

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 7, 2016