

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T BOND BUILDING FUND
FINANCIAL AUDIT**

Fiscal Year Ending June 30, 2010

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T BOND BUILDING FUND
FINANCIAL AUDIT**

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

The Citizens' Oversight Committee
San Bernardino City Unified School District
777 North "F" Street
San Bernardino, CA 92410

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure T Bond Building Fund of the San Bernardino City Unified School District as of and for the fiscal year ended June 30, 2010. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

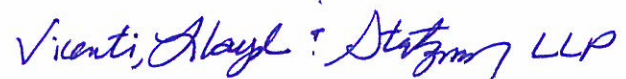
We conducted our audit of the Measure T Bond Building Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Measure T Bond Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Measure T Bond Building Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Measure T Bond Building Fund for the San Bernardino City Unified School District as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The Citizens' Oversight Committee
San Bernardino City Unified School District

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2011 on our consideration of the San Bernardino City Unified School District's internal control over Measure T Bond Building Fund financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the San Bernardino City Unified School District Measure T Bond Building Fund. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


VICENTI, LLOYD & STUTZMAN LLP

April 21, 2011

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
MEASURE T BOND BUILDING FUND
June 30, 2010**

ASSETS

Cash in County Treasury	\$ 20,644,648
Accounts Receivable	3,663
Due from Other Funds	<u>1,724,011</u>

TOTAL ASSETS \$ 22,372,322

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 997,545
Due to Other Funds	<u>106,030</u>
TOTAL LIABILITIES	<u>1,103,575</u>

Fund Balance

Designated	<u>21,268,747</u>
TOTAL FUND BALANCE	<u>21,268,747</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 22,372,322

See the accompanying notes to the financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
MEASURE T BOND BUILDING FUND
For the Fiscal Year Ended June 30, 2010**

REVENUES

Interest and Investment Income	\$ 408,728
TOTAL REVENUES	<u>408,728</u>

EXPENDITURES

Classified Salaries	149,076
Employee Benefits	40,461
Services and Other Operating Expenses	2,282,809
Capital Outlay	<u>2,057,046</u>
TOTAL EXPENDITURES	<u>4,529,392</u>

Deficiency of revenues over expenditures	(4,120,664)
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OTHER FINANCING SOURCES (USES)

Transfers In	1,234,712
Transfers Out	<u>(3,706)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,231,006</u>

Net Change in Fund Balance	(2,889,658)
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Fund Balance at Beginning of Year	<u>24,158,405</u>
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Fund Balance at End of Year	<u><u>\$ 21,268,747</u></u>
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See the accompanying notes to the financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - MEASURE T BOND BUILDING FUND**

For the Fiscal Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest and Investment Income	\$ 600,000	\$ 408,728	\$ (191,272)
TOTAL REVENUES	<u>600,000</u>	<u>408,728</u>	<u>(191,272)</u>
EXPENDITURES			
Classified Salaries	186,716	149,076	37,640
Employee Benefits	54,834	40,461	14,373
Services and Other Operating Expenses	5,081,982	2,282,809	2,799,173
Capital Outlay	<u>20,929,868</u>	<u>2,057,046</u>	<u>18,872,822</u>
TOTAL EXPENDITURES	<u>26,253,400</u>	<u>4,529,392</u>	<u>21,724,008</u>
Deficiency of revenues over expenditures	<u>(25,653,400)</u>	<u>(4,120,664)</u>	<u>21,532,736</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,573,762	1,234,712	(339,050)
Transfers Out	<u>(9,206)</u>	<u>(3,706)</u>	<u>5,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,564,556</u>	<u>1,231,006</u>	<u>(333,550)</u>
Net Change in Fund Balance	<u>\$ (24,088,844)</u>	<u>(2,889,658)</u>	<u>\$ 21,199,186</u>
Fund Balance at Beginning of Year		<u>24,158,405</u>	
Fund Balance at End of Year		<u>\$ 21,268,747</u>	

See the accompanying notes to the financial statements.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Change in Fund Balance is a statement of financial activities of the Measure T Bond Building Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Measure T Bond Building Fund of the San Bernardino City Unified School District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

During the year, Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure T Bond Building Fund are determined by its measurement focus. The Measure T Bond Building Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure T Bond Building Fund are accounted for in the basic financial statements of the San Bernardino City Unified School District.

NOTE 2 - DEPOSITS:

CASH IN COUNTY

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Bernardino County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s Bond Building Fund – Measure T deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$20,731,975.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – INTERFUND TRANSFERS:

The interfund Transfers In consists of amounts received from the District’s Other Funds for reimbursement of Measure T project expenditures.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations, by major object accounts.

NOTE 5 – BONDED DEBT:

On March 2, 2004, the District voters authorized the issuance and sale of general obligation bonds totaling \$140,000,000 which provides that proceeds of the bonds will generally be used to improve student safety, repair local schools and relieve overcrowding by installing/repairing fire safety equipment; fixing leaky roofs/decaying walls; removing asbestos; upgrading bathrooms, plumbing, sewers/electrical wiring for computer technology; building new schools; improving disabled access; repairing, expanding, construction, acquiring/equipping classrooms, labs, sites, and libraries; prepayment of interim District financings; and that bond proceeds will not be used for administrative salaries or expenses.

The outstanding related bonded debt for the San Bernardino City Unified School District at June 30, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
9/16/04	2.0 - 5.0%	8/1/29	\$ 44,999,498	\$ 37,029,498	\$	\$ 885,000	\$ 36,144,498
5/3/06	4.5 – 5.0%	8/1/30	67,999,967	67,743,367		381,142	67,362,225
3/1/07	3.4 - 4.7%	8/1/31	9,997,217	9,307,217		480,773	8,826,444
			<u>\$ 122,996,682</u>	<u>\$ 114,080,082</u>	<u>\$ -</u>	<u>\$ 1,746,915</u>	<u>\$ 112,333,167</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 – BONDED DEBT: (continued)

Series A

On September 16, 2004, \$44,999,498 of general obligation bonds were sold. The annual requirements to amortize Series A bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$ 980,000	\$ 1,652,219	\$	\$ 2,632,219
2012	1,085,000	1,615,819		2,700,819
2013	815,000	1,579,856		2,394,856
2014	905,000	1,549,191		2,454,191
2015	1,005,000	1,513,943		2,518,943
2016-2020	6,925,000	6,680,875		13,605,875
2021-2025	11,100,000	4,523,625		15,623,625
2026-2030	<u>13,329,498</u>	<u>1,345,087</u>	<u>3,415,502</u>	<u>18,090,087</u>
Totals	<u>\$ 36,144,498</u>	<u>\$ 20,460,615</u>	<u>\$ 3,415,502</u>	<u>\$ 60,020,615</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 – BONDED DEBT: (continued)

Series B

On May 3, 2006, \$67,999,967 of general obligation bonds were sold. The annual requirements to amortize Series B bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$ 589,703	\$ 2,987,650	\$ 230,297	\$ 3,807,650
2012	751,337	2,987,650	378,663	4,117,650
2013	1,060,426	2,987,650	664,574	4,712,650
2014	1,105,460	2,987,650	839,540	4,932,650
2015	1,108,762	2,987,650	1,001,237	5,097,649
2016-2020	12,552,976	13,910,975	1,162,024	27,625,975
2021-2025	22,325,000	9,547,875		31,872,875
2026-2030	26,215,000	2,754,375		28,969,375
2031	<u>1,653,561</u>		<u>10,046,439</u>	<u>11,700,000</u>
Totals	<u>\$ 67,362,225</u>	<u>\$ 41,151,475</u>	<u>\$ 14,322,774</u>	<u>\$ 122,836,474</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 – BONDED DEBT: (continued)

Series C

On March 1, 2007, \$9,997,217 of general obligation bonds were sold. The annual requirements to amortize Series C bonds payable, outstanding as of June 30, 2010, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$ 215,798	\$ 85,106	\$ 104,202	\$ 405,106
2012	84,027	85,106	55,973	225,106
2013	37,392	85,106	32,608	155,106
2014	2,377	85,106	2,623	90,106
2015		85,106		85,106
2016-2020	60,421	424,031	49,579	534,031
2021-2025	126,379	417,748	83,621	627,748
2026-2030	3,997,194	366,625	4,302,806	8,666,625
2031-2032	<u>4,302,856</u>	<u></u>	<u>9,147,144</u>	<u>13,450,000</u>
Totals	<u>\$ 8,826,444</u>	<u>\$ 1,633,934</u>	<u>\$ 13,778,556</u>	<u>\$ 24,238,934</u>

Capital appreciation bonds were issued as part of the Series A, B and C issuances. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued and net bond premiums have been reflected in the long term debt balance of the District's basic financial statements.

NOTE 6 – SUBSEQUENT EVENT:

The District sold \$11,525,419 General Obligation Bonds, 2004 Election Series D and \$5,477,434 Taxable General Obligation Bonds, 2004 Election Series E on March 17, 2011. The bonds were sold with an interest yield of 7.41% - 8.875% and mature through 2042.

**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***

The Citizens' Oversight Committee
San Bernardino City Unified School District
777 North "F" Street
San Bernardino, CA 92410

We have audited the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure T Bond Building Fund of the San Bernardino City Unified School District as of and for the fiscal year ended June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Bernardino City Unified School District's internal control over Measure T Bond Building Fund financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

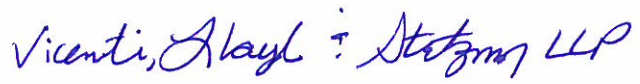
Our consideration of internal control over Measure T Bond Building Fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

**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***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Bernardino City Unified School District's Measure T Bond Building Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 of the Measure T Bond Building Fund disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Board of Education, the Citizens' Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

April 21, 2011

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**SCHEDULE OF EXPENDITURES
For the Fiscal Year Ended June 30, 2010**

	Expenditures in Previous Years	Actual Expenditures for Fiscal Year Ended June 30, 2010	Total Expenditures through June 30, 2010
Chavez Middle School	\$ 3,463,711	\$ 15,621	\$ 3,479,332
Administrative Costs	190,201	206,588	396,789
Alessandro	202,054	2,533	204,587
BS/Elementary #47	8,724,047	(4,420)	8,719,627
Secomb Area #52	306,182	2,099	308,281
New Elementary #54	86,205	2,099	88,304
BS/High School #8	647,682	(6,223)	641,459
Kitchen Remodel	84,566	18	84,584
Lunch Shelter Addition	64,182		64,182
BS/Monterey	14,885,745	43,446	14,929,191
New Curtis Middle School	12,902,983	460,158	13,363,141
Portables (New Multi Resource)	4,500		4,500
BS/Roosevelt	242,916	2,099	245,015
BS/SDC Classrooms	15,800,182	151,287	15,951,469
BS/Wilson	213,088	2,731	215,819
Construction Management	1,901,134	1,989,416	3,890,550
Modernization	7,407,149	1,067,782	8,474,931
21st Century Classroom	5,963	18,296	24,259
Little Mountain Elementary School	6,800	1,682	8,482
Pakuma K-8 School	7,204	1,880	9,084
Jones Elementary School	8,888		8,888
Middle College High School	9,200	2,612	11,812
Rodriguez Portables		3,486	3,486
Additions		555,608	555,608
Library Replacement		14,300	14,300
Defeasance of Certificates of Participation	44,742,912		44,742,912
Bond Issue Costs and Legal Fees on Series B Bonds	2,003,058		2,003,058
	<u>\$ 113,910,552</u>	<u>\$ 4,533,098</u>	<u>\$ 118,443,650</u>

See the accompanying notes to the financial statements.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T BOND BUILDING FUND**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010**

There were no findings related to the financial audit of the Measure T Bond Building Fund for the year ended June 30, 2010. In addition, there were no findings related to the financial audit of the Measure T Bond Building Fund for the year ended June 30, 2009.