



March 19, 2012

Board of Education
San Bernardino City Unified School District

Dear Board Members:

This letter is intended to inform the Board of Education about significant matters related to the conduct of the financial and performance audits of the Measure T Bond Building Fund to appropriately discharge its oversight responsibility and ensure that we comply with our professional responsibilities to the Board of Education.

We have audited the financial statements for the Measure T Bond Building Fund of the San Bernardino City Unified School District (the "District") for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*. Professional standards require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District implemented the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 54 as described in Note 1 to the Measure T Bond Building Fund financial statements. No significant or unusual transactions or significant accounting policies related to controversial or emerging areas for which there is a lack of authoritative guidance or consensus were noted.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Estimates significant to the financial statements include such items as accruals of receivables and liabilities. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

We believe management's estimates are reasonable, based on our audit. However, estimates are subject to change because of future events, and the ultimate amounts realized may differ from those provided.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management relating to the performance of the audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no audit adjustments to the original trial balance presented to us.

Reclassifying Entry

There was one reclassifying entry to report the Series E bond issuance and subsequent transfer to the trustee to issue the District's Taxable Certificates of Participation. District management represented to us that they were advised by the San Bernardino County Superintendent of Schools to record the entry in Fund 98 which is not included for Measure T reporting purposes. (See Attachment A)

Adjusting Journal Entries

We accumulated immaterial unrecorded adjusting journal entries which were discussed with management and were determined to be immaterial to the basic financial statements. Therefore, correcting adjustments were not made to the June 30, 2011 financial statements. These adjusting journal entries are summarized in the accompanying schedule. (See Attachment B)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management including but not limited to the fair presentation of the financial statements, application of generally accepted accounting principles and management's responsibility for establishing and maintaining effective internal controls. These as well as other representations are included in the management representation letter dated March 8, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. We are not aware of any consultations management had with other accountants regarding accounting or auditing matters.

Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

There were significant discussions with management regarding the Measure T Series E Bond issuance that was used to fund capitalized interest and to pay costs of issuance, such as premiums for bond insurance and a reserve surety bond, for the District's Taxable Certificates of Participation. The discussions held were whether those costs were allowable under the voter approved projects of Measure T. It was determined that since the Taxable Certificates of Participation were issued to augment construction projects and provide additional funding for construction projects that are allowable under Measure T, but which Measure T was not able to fund on its own, this usage was allowable. Expenditures of these projects should be reviewed in subsequent audit periods until an amount equal or above the Measure T Series E Bond issuance has been expended in order to provide assurance that they truly were used on projects approved by the voters under Measure T.

Other Information in Documents Containing Audited Financial Statements

We are not aware of other documents that contain the audited financial statements; if such documents are to be published, such as an Annual Report, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the District.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the San Bernardino City Unified School District.

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


VICENTI, LLOYD & STUTZMAN LLP

San Bernardino City Unified School District
 Reclassifying Journal Entries
 June 30, 2011

ATTACHMENT A

Measure T Bond Building Fund

<u>PAJE #</u>	<u>Account/Description</u>	<u>Account #</u>	<u>Debit</u>	<u>Credit</u>	<u>Effect on Fund Balance</u>
1	Cost of Issuance	5000	229,324		\$
	Interfund Transfer Out	7619	5,477,612		
	Proceeds from Sale of Bonds	8951		5,706,936	
To record the Series E Issue that was fully transferred to trustee to pay for 2011 COPS capitalized interest and costs					
Total effect on fund balance					<u><u>\$ -</u></u>

San Bernardino City Unified School District
 Adjusting Journal Entries
 June 30, 2011

ATTACHMENT B

Measure T Bond Building Fund

<u>PAJE #</u>	<u>Account/Description</u>	<u>Account #</u>	<u>Debit</u>	<u>Credit</u>	<u>Effect on Fund Balance</u>
1	Cash in County	9110	55,600		\$
	Gain on Investment	8699		55,600	55,600
	To record gain on investment in cash in county				
2	Capital Outlay	6250	41,944		
	Accounts Payable	9500		41,944	(41,944)
	To properly record the retention amounts held by the District as of June 30, 2011				
				Total increase in fund balance	<u>\$ 13,656</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

Fiscal Year Ending June 30, 2011

The Citizens' Oversight Committee
San Bernardino City Unified School District

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012 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 Measure T Bond Building Fund financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 section is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


VICENTI, LLOYD & STUTZMAN LLP

March 8, 2012

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

BALANCE SHEET
MEASURE T BOND BUILDING FUND
June 30, 2011

Assets

Cash in county treasury	\$ 34,990,253
Cash in bank	25,064
Accounts receivable	20,361
Due from other funds	<u>2,827,950</u>
Total Assets	<u><u>\$ 37,863,628</u></u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 1,205,339
Due to other funds	<u>46,391</u>
Total Liabilities	<u>1,251,730</u>

Fund Balance

Restricted	<u>36,611,898</u>
Total Fund balance	<u>36,611,898</u>
Total Liabilities and Fund Balance	<u><u>\$ 37,863,628</u></u>

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, 2011**

Revenues	
Interest and investment income	\$ 239,318
Total Revenues	<u>239,318</u>
Expenditures	
Classified salaries	102,957
Employee benefits	30,400
Services and other operating expenses	1,413,133
Capital outlay	1,253,646
Total Expenditures	<u>2,800,136</u>
Deficiency of revenues over expenditures	<u>(2,560,818)</u>
Other Financing Sources (Uses)	
Proceeds from sale of bonds	17,738,221
Transfers in	6,531,319
Transfers out	<u>(6,365,571)</u>
Total Other Financing Sources (Uses)	<u>17,903,969</u>
Net change in fund balance	15,343,151
Fund Balance - Beginning of Year	<u>21,268,747</u>
Fund Balance - End of Year	<u>\$ 36,611,898</u>

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, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and investment income	\$ 280,000	\$ 239,318	\$ (40,682)
Total Revenues	280,000	239,318	(40,682)
Expenditures			
Classified salaries	230,618	102,957	127,661
Employee benefits	75,008	30,400	44,608
Services and other operating expenses	22,215,281	1,413,133	20,802,148
Capital outlay	17,482,128	1,253,646	16,228,482
Total Expenditures	40,003,035	2,800,136	37,202,899
Deficiency of revenues over expenditures	(39,723,035)	(2,560,818)	37,162,217
Other Financing Sources (Uses)			
Proceeds from sale of bonds	12,031,285	17,738,221	5,706,936
Transfers in	7,310,957	6,531,319	(779,638)
Transfers out	(887,955)	(6,365,571)	(5,477,616)
Total Other Financing Source (Uses)	18,454,287	17,903,969	(550,318)
Net change in fund balance	\$ (21,268,748)	15,343,151	\$ 36,611,899
Fund Balance - Beginning of Year		21,268,747	
Fund Balance - End of Year		\$ 36,611,898	

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, 2011**

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, 2011**

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

FUND BALANCE CLASSIFICATION

During the current fiscal year, the District implemented the reporting model required by GASB Statement No. 54. Therefore the governmental fund financial statements present fund balance classification that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts of which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provision or enabling legislation are considered restricted. The fund balance of the Measure T Bond Building Fund is therefore classified as restricted.

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.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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, 2011, as provided by the pool sponsor, was \$35,045,853.

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 consist of amounts received from and provided to other funds of the District for reimbursement of Measure T project expenditures.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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, 2011 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
9/29/04	2.0 - 5.0%	8/1/29	\$ 44,999,498	\$ 36,144,498	\$	\$ 980,000	\$ 35,164,498
5/18/06	4.5 - 5.0%	8/1/30	67,999,967	67,362,225		589,703	66,772,522
3/14/07	3.8 - 4.7%	8/1/31	9,997,217	8,826,444		215,798	8,610,646
3/17/11	7.4 - 7.5%	8/1/42	11,525,419		11,525,419		11,525,419
3/17/11	8.9%	8/1/35	5,477,434		5,477,434		5,477,434
			<u>\$ 139,999,535</u>	<u>\$ 112,333,167</u>	<u>\$ 17,002,853</u>	<u>\$ 1,785,501</u>	<u>\$ 127,550,519</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – BONDED DEBT: (continued)

Series A

On September 29, 2004, \$44,999,498 of general obligation bonds were sold. The annual requirements to amortize Series A bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
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	1,110,000	1,467,350		2,577,350
2017-2021	7,665,000	6,318,438		13,983,438
2022-2026	12,080,000	3,986,175		16,066,175
2027-2030	<u>10,499,498</u>	<u>777,625</u>	<u>3,415,502</u>	<u>14,692,625</u>
Totals	<u>\$ 35,164,498</u>	<u>\$ 18,808,397</u>	<u>\$ 3,415,502</u>	<u>\$ 57,388,397</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – BONDED DEBT: (continued)

Series B

On May 18, 2006, \$67,999,967 of general obligation bonds were sold. The annual requirements to amortize Series B bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
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	1,097,976	2,987,650	1,162,024	5,247,650
2017-2021	15,130,000	13,258,450		28,388,450
2022-2026	24,420,000	8,379,250		32,799,250
2027-2031	22,098,561	1,587,875	10,046,439	33,732,875
Totals	<u>\$ 66,772,522</u>	<u>\$ 38,163,825</u>	<u>\$ 14,092,477</u>	<u>\$ 119,028,824</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – BONDED DEBT: (continued)

Series C

On March 14, 2007, \$9,997,217 of general obligation bonds were sold. The annual requirements to amortize Series C bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
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	5,648	85,106	9,352	100,106
2017-2021	73,818	423,031	56,182	553,031
2022-2026	132,696	415,892	102,304	650,892
2027-2031	4,202,589	284,375	4,727,411	9,214,375
2032	4,072,099		8,687,901	12,760,000
Totals	<u>\$ 8,610,646</u>	<u>\$ 1,548,828</u>	<u>\$ 13,674,354</u>	<u>\$ 23,833,828</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – BONDED DEBT: (continued)

Series D

On March 17, 2011, \$11,525,419 of general obligation bonds were sold. The annual requirements to amortize Series D bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$	\$	\$ -
2013			-
2014			-
2015			-
2016			-
2017-2021			-
2022-2026			-
2027-2031			-
2032-2036	1,141,840	5,858,160	7,000,000
2037-2041	8,693,384	58,896,616	67,590,000
2042-2043	<u>1,690,195</u>	<u>15,029,805</u>	<u>16,720,000</u>
Totals	<u>\$ 11,525,419</u>	<u>\$ 79,784,581</u>	<u>\$ 91,310,000</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – BONDED DEBT: (continued)

Series E

On March 17, 2011, \$5,477,434 of general obligation bonds were sold. The annual requirements to amortize Series E bonds payable, outstanding as of June 30, 2011, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$	\$	\$ -
2013			-
2014			-
2015			-
2016			-
2017-2021			-
2022-2026			-
2027-2031			-
2032-2036	<u>5,477,434</u>	<u>35,157,566</u>	<u>40,635,000</u>
Totals	<u>\$ 5,477,434</u>	<u>\$ 35,157,566</u>	<u>\$ 40,635,000</u>

Capital appreciation bonds were issued as part of the Series A, B, C, D and E issuances. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting 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.



**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, 2011. 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 would not necessarily 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

March 8, 2012

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

**SCHEDULE OF EXPENDITURES
For the Fiscal Year Ended June 30, 2011**

	Expenditures in Previous Years	Actual Expenditures for Fiscal Year Ended June 30, 2011	Total Expenditures through June 30, 2011
Chavez Middle School	\$ 3,479,332	\$	\$ 3,479,332
Administrative Costs	396,789	66,905	463,694
Alessandro	204,587	10,086	214,673
BS/Elementary #47	8,719,627		8,719,627
Secomb Area #52	308,281	1,275	309,556
New Elementary #54	88,304	9,936	98,240
BS/High School #8	641,459	6,897	648,356
Kitchen Remodel	84,584		84,584
Lunch Shelter Addition	64,182		64,182
BS/Monterey	14,929,191	144,379	15,073,570
New Curtis Middle School	13,363,141	1,790	13,364,931
Portables (New Multi Resource)	4,500		4,500
BS/Roosevelt	245,015	10,868	255,883
BS/SDC Classrooms	15,951,469	25,347	15,976,816
BS/Wilson	215,819	1,719	217,538
Construction Management	3,890,550	662,123	4,552,673
Modernization	8,474,931	1,237,075	9,712,006
21st Century Classroom	24,259	41,977	66,236
Little Mountain Elementary School	8,482	1,526	10,008
Pakuma K-8 School	9,084	1,572	10,656
Jones Elementary School	8,888		8,888
Middle College High School	11,812	240,927	252,739
Rodriguez Portables	3,486		3,486
Additions	555,608	25,016	580,624
Library Replacement	14,300		14,300
Non Severe Day Class		17,210	17,210
Second Phase of Modernization		471,341	471,341
Defeasance of Certificates of Participation	44,742,912		44,742,912
Bond Issue Costs and Legal Fees	2,003,058	710,126	2,713,184
Capitalized Interest and Costs for 2011			
Taxable Certificates of Participation			
Issued to Augment Measure T Projects		5,477,612	5,477,612
	<u>\$ 118,443,650</u>	<u>\$ 9,165,707</u>	<u>\$ 127,609,357</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, 2011**

There were no findings related to the financial audit of the Measure T Bond Building Fund for the year ended June 30, 2011. In addition, there were no findings related to the financial audit of the Measure T Bond Building Fund for the year ended June 30, 2010.