

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>

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
PERFORMANCE AUDIT**

Fiscal Year Ending June 30, 2011

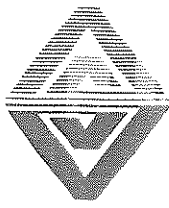
SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2011

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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 conducted a performance audit of the San Bernardino City Unified School District (the "District"), Measure T General Obligation Bond funds for the year ended June 30, 2011.

We conducted our performance audit in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure T General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our test indicate that, in all significant respects, the District expended Measure T General Obligation Bond funds for the year ended June 30, 2011, only for the specific projects developed by the District's Board of Education, and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

March 8, 2012

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T
PERFORMANCE AUDIT**

June 30, 2011

BACKGROUND INFORMATION

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. In March 2004, a general obligation bond proposition (Measure T) of the San Bernardino City Unified School District was approved by the voters of the District. Measure T authorized the District to issue up to \$140,000,000 of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions of Measure T.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure T bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure T Bond Building Fund have been expended only for the authorized bond projects.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T
PERFORMANCE AUDIT**

June 30, 2011

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the San Bernardino City Unified School District Measure T Bond Building Fund.
- Determine whether expenditures charged to the Measure T Bond Building Fund, have been made in accordance with the bond project list approved by the voters through the approval of Measure T in March 2004.
- Determine compliance with specific California Education Code Sections related to oversight of bond expenditures.
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the fiscal period from July 1, 2010 to June 30, 2011. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T
PERFORMANCE AUDIT**

June 30, 2011

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Measure T Bond Building Fund. We also reviewed documentation, including the District website, for compliance with California Education Code Sections 15278-15282. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure T as to the approved bond projects list and we performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure T election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2010, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the Measure T Bond Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects. In addition, we verified that funds held in the Measure T Bond Building Fund were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T
PERFORMANCE AUDIT**

June 30, 2011

CONCLUSION

The results of our tests indicated that, in all significant respects, the San Bernardino City Unified School District has properly accounted for the expenditures of the funds held in the Measure T Bond Building Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure T Bond Building Fund and expended by the District, were used for salaries of school administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

There were no findings related to the performance audit for the fiscal year ended June 30, 2011. In addition, there were no findings related to the performance audit for the fiscal year ended June 30, 2010