

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

Fiscal Year Ending June 30, 2008

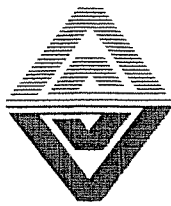
SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2008

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Balance Sheet – Measure T Bond Building Fund.....	3
Statement of Revenues, Expenditures and Change in Fund Balance – Measure T Bond Building Fund.....	4
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Measure T Bond Building Fund.....	5
Notes to Financial Statements	6-10
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.....	11-12
Schedule of Expenditures.....	13
Schedule of Findings and Questioned Costs.....	14
Status of Prior Year Findings and Questioned Costs.....	15



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, 2008. 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. 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, 2008, 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 January 30, 2009 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

VICENTI, LLOYD & STUTZMAN LLP

January 30, 2009

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
MEASURE T BOND BUILDING FUND
June 30, 2008**

ASSETS

Cash in County Treasury	\$ 22,852,498
Due from Other Funds	<u>5,242,051</u>
TOTAL ASSETS	<u>\$ 28,094,549</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ <u>2,976,037</u>
TOTAL LIABILITIES	<u>2,976,037</u>

Fund Balance

Designated	<u>25,118,512</u>
TOTAL FUND BALANCE	<u>25,118,512</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 28,094,549</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, 2008**

REVENUES

Interest and Investment Income	\$ 1,132,281
Other Local Revenue	<u>32,674</u>
TOTAL REVENUES	<u>1,164,955</u>

EXPENDITURES

Salaries	67,605
Benefits	18,843
Supplies	3,556
Other Services	(1,768,792)
Capital Outlay	<u>5,675,057</u>
TOTAL EXPENDITURES	<u>3,996,269</u>

Net Change in Fund Balance	(2,831,314)
----------------------------	-------------

Fund Balance at Beginning of Year	<u>27,949,826</u>
-----------------------------------	-------------------

Fund Balance at End of Year	<u><u>\$ 25,118,512</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

BUDGET AND ACTUAL - MEASURE T BOND BUILDING FUND

For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest and Investment Income	\$ 1,500,000	\$ 1,132,281	\$ (367,719)
Other Local Revenue		32,674	32,674
TOTAL REVENUES	<u>1,500,000</u>	<u>1,164,955</u>	<u>(335,045)</u>
EXPENDITURES			
Salaries	189,699	67,605	122,094
Benefits	42,219	18,843	23,376
Supplies	3,556	3,556	-
Other Services	1,196,386	(1,768,792)	2,965,178
Capital Outlay	<u>29,716,277</u>	<u>5,675,057</u>	<u>24,041,220</u>
TOTAL EXPENDITURES	<u>31,148,137</u>	<u>3,996,269</u>	<u>27,151,868</u>
Net Change in Fund Balance	<u>\$ (29,648,137)</u>	(2,831,314)	<u>\$ 26,816,823</u>
Fund Balance at Beginning of Year		<u>27,949,826</u>	
Fund Balance at End of Year		<u>\$ 25,118,512</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, 2008**

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, 2008**

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 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

NOTE 3 – 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, 2008 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2007</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2008</u>
9/16/2004	2.0 - 5.0%	8/1/2029	\$ 44,999,498	\$ 40,274,498	\$	\$ 2,650,000	\$ 37,624,498
5/3/2006	4.5 – 5.0%	8/1/2030	67,999,967	67,999,967			67,999,967
3/1/2007	3.4 - 4.7%	8/1/2031	9,997,217	9,997,217			9,997,217
			<u>\$ 122,996,682</u>	<u>\$ 118,271,682</u>	<u>\$ -</u>	<u>\$ 2,650,000</u>	<u>\$ 115,621,682</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 3 – 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, 2008, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2009	\$ 595,000	\$ 1,697,950	\$	\$ 2,292,950
2010	885,000	1,679,088		2,564,088
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
2014-2018	5,635,000	7,282,309		12,917,309
2019-2023	9,280,000	5,492,150		14,772,150
2024-2028	14,245,000	2,748,013		16,993,013
2029-2030	<u>4,104,498</u>	<u>90,250</u>	<u>3,415,502</u>	<u>7,610,250</u>
Totals	<u>\$ 37,624,498</u>	<u>\$ 23,837,654</u>	<u>\$ 3,415,502</u>	<u>\$ 64,877,654</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 3 – 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, 2008, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2009	\$ 256,600	\$ 2,987,650	\$ 48,400	\$ 3,292,650
2010	381,142	2,987,650	108,858	3,477,650
2011	589,703	2,987,650	230,297	3,807,650
2012	751,337	2,987,650	378,663	4,117,650
2013	1,060,427	2,987,650	664,574	4,712,651
2014-2018	8,432,198	14,707,400	3,002,801	26,142,399
2019-2023	18,495,000	11,585,875		30,080,875
2024-2028	29,015,000	5,711,125		34,726,125
2029-2031	<u>9,018,560</u>	<u>184,124</u>	<u>10,046,438</u>	<u>19,249,122</u>
Totals	<u>\$ 67,999,967</u>	<u>\$ 47,126,774</u>	<u>\$ 14,480,031</u>	<u>\$ 129,606,772</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

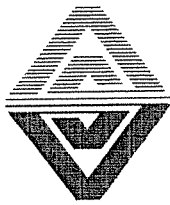
NOTE 3 – BONDED DEBT: (continued)

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, 2008, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest Component	Total
2009	\$ 690,000	\$ 117,144	\$	\$ 807,144
2010	480,773	94,219	24,227	599,219
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
2014-2018	20,694	425,531	39,306	485,531
2019-2023	101,260	421,031	68,740	591,031
2024-2028	143,673	412,178	141,327	697,178
2029-2032	<u>8,223,600</u>	<u>119,875</u>	<u>13,336,400</u>	<u>21,679,875</u>
Totals	<u>\$ 9,997,217</u>	<u>\$ 1,845,296</u>	<u>\$ 13,802,783</u>	<u>\$ 25,645,296</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.



**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, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Measure T Bond Building Fund financial statement that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Measure T Bond Building Fund financial statements will not be prevented or detected by the District's internal control.

**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***

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
VICENTI, LLOYD & STUTZMAN LLP

January 30, 2009

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

**SCHEDULE OF EXPENDITURES
For the Fiscal Year Ended June 30, 2008**

	Expenditures in Previous Years	Actual Expenditures for Fiscal Year Ended June 30, 2008	Total Expenditures through June 30, 2008
Chavez Middle School	\$ 3,028,317	\$ 435,394	3,463,711
Administrative Costs	816	196,059	196,875
Alessandro	195,884		195,884
BS/Elementary #47	10,208,001	(1,498,430)	8,709,571
Secomb Area #52	298,882		298,882
New Elementary #54	82,405		82,405
BS/High School #8	1,437,239	292,118	1,729,357
Kitchen Remodel	120	84,239	84,359
Lunch Shelter Addition	62,991	1,191	64,182
BS/Monterey	9,428,088	4,342,961	13,771,049
BS/Multi-Use Rooms	15,572	(15,572)	
New Curtis Middle School	12,092,377	(293,515)	11,798,862
Portables (New Multi Resource)	6,000	(1,500)	4,500
BS/Roosevelt	238,116		238,116
BS/SDC Classrooms	15,316,897	(160,260)	15,156,637
BS/Wilson	204,788		204,788
Construction Management	4,784,337	(3,566,663)	1,217,674
Modernization	993,532	4,180,247	5,173,779
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>\$ 105,140,332</u>	<u>\$ 3,996,269</u>	<u>\$ 109,136,601</u>

See the accompanying notes to the financial statements.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008**

There were no findings and questioned costs related to the financial audit of the Measure T Bond Building Fund for the year ended June 30, 2008

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

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2008**

FINDING 07-1 – INTERNAL CONTROL – AUDIT ADJUSTMENTS

Finding: Our testing disclosed that District held retentions were not being accrued resulting in an understatement of expenditures and accounts payable of \$497,935. Our testing also disclosed a duplicate journal entry transferring expenditures out of the Prop 39 resource resulting in an understatement of expenditures and cash of \$1,760,130. In addition, it was noted that 4th quarter interest was not allocated to the Prop 39 resource resulting in an understatement of revenue and accounts receivable of \$543,223. Statement on Auditing Standards No. 112 (SAS 112), effective during the 2006-07 fiscal year, suggests that audit adjustments are a strong indicator of a material weakness in internal controls over financial reporting.

Recommendation: Have management review the closing procedures and journal entry procedures currently in place to determine additional safeguards that could be implemented to strengthen the internal control

Current Status: Implemented.