

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

Fiscal Year Ending June 30, 2006

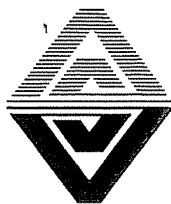
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June 30, 2006

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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 examined the San Bernardino City Unified School District's compliance with the performance requirements for the Proposition 39/Measure T General Obligation Bonds (the Bonds) for the fiscal year ended June 30, 2006, 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 San Bernardino City Unified School District's compliance with those requirements. Our responsibility is to express an opinion on the San Bernardino City Unified School District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the San Bernardino City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on San Bernardino City Unified School District's compliance with specified requirements.

In our opinion, the San Bernardino City Unified School District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2006.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

January 8, 2007

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2006

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the San Bernardino City Unified School District Bond Building Fund.
- Determine whether expenditures charged to the 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.
- 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, 2005 to June 30, 2006. 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, 2006, were not reviewed or included within the scope of our audit or in this report.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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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 that 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 has established a Citizens' Oversight Committee and appointed its initial 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 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
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June 30, 2006

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2006, for the Bond Building Fund. 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. 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, 2006, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the Bond Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Bond Building Fund were not used for salaries of school administrators or other operating expenses of the District.

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June 30, 2006

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the San Bernardino City Unified School District has properly accounted for the expenditures of the funds held in the Bond Building Fund and that such expenditures were made on authorized bond projects. Further it was noted that the funds held in the Bond Building Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
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**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2006**

There were no findings and questioned costs related to the performance audit for the fiscal year ended June 30, 2006.