

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T AND MEASURE N BOND BUILDING FUNDS
FINANCIAL AND PERFORMANCE AUDITS**

June 30, 2015

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE T AND MEASURE N BOND BUILDING FUNDS
FINANCIAL AND PERFORMANCE AUDITS**

June 30, 2015

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**FINANCIAL AUDIT OF MEASURE T AND MEASURE N
BOND BUILDING FUNDS**



INDEPENDENT AUDITOR'S REPORT

The Board of Education
The Citizens' Oversight Committee
San Bernardino City Unified School District

Report on the Financial Statements

We have audited the accompanying Measure T and Measure N financial statements of the San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's Measure T and Measure N Bond Building Funds financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure T and Measure N Bond Building Funds of the District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the District's Measure T and Measure N Bond Building Funds financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 or to the financial statements themselves, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016 on our consideration of the District's internal control over the Measure T and Measure N Bond Building Funds financial reporting and on 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 the Measure T and Measure N Bond Building Funds financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure T and Measure N Bond Building Funds financial reporting and compliance.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
March 30, 2016

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

MEASURE T AND MEASURE N BOND BUILDING FUNDS

June 30, 2015

	<u>Measure T</u>	<u>Measure N</u>
<u>Assets</u>		
Cash in county treasury	\$ 20,793,803	\$ 23,867,712
Accounts receivable	203	
Due from other funds	58,317	
Total Assets	<u><u>\$ 20,852,323</u></u>	<u><u>\$ 23,867,712</u></u>
<u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ 2,742,933	\$ 2,547,420
Due to other funds	96,040	29,414
Total Liabilities	<u><u>2,838,973</u></u>	<u><u>2,576,834</u></u>
 Fund Balance		
Restricted	<u>18,013,350</u>	<u>21,290,878</u>
Total Fund Balance	<u><u>18,013,350</u></u>	<u><u>21,290,878</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 20,852,323</u></u>	<u><u>\$ 23,867,712</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 AND MEASURE N BOND BUILDING FUNDS**

For the Fiscal Year Ended June 30, 2015

	<u>Measure T</u>	<u>Measure N</u>
Revenues		
Interest and investment income	\$ 99,454	\$ 130,190
Other income	80	
Total Revenues	<u>99,534</u>	<u>130,190</u>
Expenditures		
Classified salaries	69,862	63,393
Employee benefits	26,971	23,350
Books and supplies		4,142
Services and other operating expenses	1,570,225	1,023,076
Capital outlay	10,829,061	15,428,734
Debt service		980,583
Total Expenditures	<u>12,496,119</u>	<u>17,523,278</u>
Deficiency of revenues over expenditures	<u>(12,396,585)</u>	<u>(17,393,088)</u>
Other Financing Sources (Uses)		
Transfers in	2,560,701	1,117,456
Transfers out	<u>(114,872)</u>	
Total Other Financing Sources (Uses)	<u>2,445,829</u>	<u>1,117,456</u>
Net change in fund balance	(9,950,756)	(16,275,632)
Fund Balance - Beginning of Year	<u>27,964,106</u>	<u>37,566,510</u>
Fund Balance - End of Year	<u><u>\$ 18,013,350</u></u>	<u><u>\$ 21,290,878</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest and investment income	\$ 99,454	\$ 99,454	\$ -
Other income	80	80	-
Total Revenues	<u>99,534</u>	<u>99,534</u>	<u>-</u>
Expenditures			
Classified salaries	237,779	69,862	167,917
Employee benefits	99,048	26,971	72,077
Services and other operating expenses	3,312,968	1,570,225	1,742,743
Capital outlay	<u>26,786,505</u>	<u>10,829,061</u>	<u>15,957,444</u>
Total Expenditures	<u>30,436,300</u>	<u>12,496,119</u>	<u>17,940,181</u>
Deficiency of revenues over expenditures	<u>(30,336,766)</u>	<u>(12,396,585)</u>	<u>17,940,181</u>
Other Financing Sources (Uses)			
Transfers in	2,560,701	2,560,701	-
Transfers out	<u>(114,872)</u>	<u>(114,872)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,445,829</u>	<u>2,445,829</u>	<u>-</u>
Net change in fund balance	<u>\$ (27,890,937)</u>	<u>(9,950,756)</u>	<u>\$ 17,940,181</u>
Fund Balance - Beginning of Year		<u>27,964,106</u>	
Fund Balance - End of Year		<u>\$ 18,013,350</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 N BOND BUILDING FUND**

For the Fiscal Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest and investment income	\$ 130,190	\$ 130,190	\$ -
Total Revenues	<u>130,190</u>	<u>130,190</u>	<u>-</u>
Expenditures			
Classified salaries	63,501	63,393	108
Employee benefits	23,350	23,350	-
Books and supplies	4,142	4,142	-
Services and other operating expenses	12,392,825	1,023,076	11,369,749
Capital outlay	23,729,398	15,428,734	8,300,664
Debt service	2,279,600	980,583	1,299,017
Total Expenditures	<u>38,492,816</u>	<u>17,523,278</u>	<u>20,969,538</u>
Deficiency of revenues over expenditures	<u>(38,362,626)</u>	<u>(17,393,088)</u>	<u>20,969,538</u>
Other Financing Sources			
Transfers in	<u>1,117,456</u>	<u>1,117,456</u>	<u>-</u>
Total Other Financing Sources	<u>1,117,456</u>	<u>1,117,456</u>	<u>-</u>
Net change in fund balance	<u>\$ (37,245,170)</u>	<u>(16,275,632)</u>	<u>\$ 20,969,538</u>
Fund Balance - Beginning of Year		<u>37,566,510</u>	
Fund Balance - End of Year		<u>\$ 21,290,878</u>	

See the accompanying notes to the financial statements

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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 Statements of Revenues, Expenditures and Change in Fund Balance are statements of financial activities of the Measure T and Measure N Bond Building Funds 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 and Measure N Bond Building Funds of the District are 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).

Cash in the County Treasury is recorded at cost, which approximates fair value.

BUDGET

The Statements of Revenues, Expenditures and Change in Fund Balance - Budget and Actual include 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 AND MEASURE N BOND BUILDING FUNDS**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balance classifications 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 for 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 balances of the Measure T and Measure N Bond Building Funds are 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 and Measure N Bond Building Funds are determined by its measurement focus. The Measure T and Measure N 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 and Measure N Bond Building Funds are accounted for in the basic financial statements of the 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 AND MEASURE N BOND BUILDING FUNDS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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. Fair value of the pooled investments at June 30, 2015 was measured at 100.1% of amortized cost.

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 and Measure N project expenditures.

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations, by major object accounts for the Measure T and Measure N Bond Building Funds.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 5 - BONDED DEBT:

MEASURE T

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.

Between 2004 and 2011, the District issued bonds, Series A through E, totaling \$139,999,535. On June 12, 2013, the District issued refunding bonds to advance refund portions of Series A, Series B and a prior Refunding Bond unrelated to Measure T. On August 7, 2014, the District issued refunding bonds to advance refund the remaining Series A and a prior Bond unrelated to Measure T. The outstanding related bonded debt for the District at June 30, 2015 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
A	9/29/04	2.0 - 5.0%	8/1/29	\$ 44,999,498	\$ 16,184,498	\$	\$ 15,690,000	\$ 494,498
B	5/18/06	4.5 - 5.0%	8/1/30	67,999,967	3,860,299		1,108,762	2,751,537
C	3/14/07	3.8 - 4.7%	8/1/31	9,997,217	8,486,850			8,486,850
D	3/17/11	7.4 - 7.5%	8/1/42	11,525,419	11,525,419			11,525,419
E	3/17/11	8.9%	8/1/35	5,477,434	5,477,434			5,477,434
				139,999,535	45,534,500	-	16,798,762	28,735,738
Refunding	6/12/13	2.0 - 5.0%	8/1/28	86,000,000	84,355,000			84,355,000
Refunding	8/7/14	2.0 - 5.0%	8/1/28	24,705,000		24,705,000		24,705,000
				<u>\$250,704,535</u>	<u>\$129,889,500</u>	<u>\$ 24,705,000</u>	<u>\$ 16,798,762</u>	<u>\$137,795,738</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 5 - BONDED DEBT: (continued)

MEASURE T (continued)

The annual debt service requirements for Measure T, as of June 30, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest Component	Total
2016	\$ 4,418,624	\$ 5,168,831	\$ 1,171,376	\$ 10,758,831
2017	6,001,703	5,008,931	13,297	11,023,931
2018	6,565,965	4,763,131	14,035	11,343,131
2019	7,250,000	4,458,956		11,708,956
2020	7,952,105	4,117,156	12,895	12,082,156
2021-2025	42,126,379	14,983,059	83,621	57,193,059
2026-2030	40,521,692	4,158,875	7,718,308	52,398,875
2031-2035	10,815,588		49,604,412	60,420,000
2036-2040	8,882,037		56,777,963	65,660,000
2041-2043	3,261,645		27,753,355	31,015,000
	<u>\$ 137,795,738</u>	<u>\$ 42,658,939</u>	<u>\$ 143,149,262</u>	<u>\$ 323,603,939</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 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.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 5 - BONDED DEBT: (continued)

MEASURE N

On November 6, 2012, the District voters authorized the issuance and sale of general obligation bonds totaling \$250,000,000 which provides that proceeds of the bonds will generally be used to make schools clean and safe and provide educational opportunities by repairing and replacing leaky roofs, deteriorating classrooms, fire alarms, security/electrical systems, removing asbestos, providing educational opportunities by updating classroom technology, science labs, and vocational education programs, and acquiring, constructing, repairing classrooms, sites, facilities and equipment, and that bond proceeds will not be used for administrative salaries or expenses.

On June 12, 2013, the District issued bonds, Series A and B, totaling \$42,665,000. The outstanding related bonded debt for the District at June 30, 2015 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
A	6/12/13	2.0 - 5.0%	8/1/37	\$ 30,150,000	\$ 30,150,000	\$	\$ 350,000	\$ 29,800,000
B	6/12/13	1.0 - 4.7%	8/1/27	12,515,000	12,515,000		1,755,000	10,760,000
				<u>\$ 42,665,000</u>	<u>\$ 42,665,000</u>	<u>\$ -</u>	<u>\$ 2,105,000</u>	<u>\$ 40,560,000</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE 5 - BONDED DEBT: (continued)

MEASURE N (continued)

The annual debt service requirements for Measure N, as of June 30, 2015, are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 2,120,000	\$ 1,644,555	\$ 3,764,555
2017	245,000	1,628,758	1,873,758
2018	325,000	1,623,017	1,948,017
2019	410,000	1,613,784	2,023,784
2020	500,000	1,600,245	2,100,245
2021-2025	4,190,000	7,615,472	11,805,472
2026-2030	7,930,000	6,348,318	14,278,318
2031-2035	13,440,000	3,842,075	17,282,075
2036-2038	11,400,000	708,600	12,108,600
	<u>\$ 40,560,000</u>	<u>\$ 26,624,824</u>	<u>\$ 67,184,824</u>

NOTE 6 - SUBSEQUENT EVENT:

The District sold \$32,495,000 Measure N General Obligation Series C Bonds on July 15, 2015. The bonds were sold with an interest rate of 2.0% to 5.0%. The bonds were sold to finance Measure N voter approved projects.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF NET EXPENDITURES MEASURE T BOND BUILDING FUND For the Fiscal Year Ended June 30, 2015

	Net Expenditures in Previous Years	Actual Net Expenditures for Fiscal Year Ended June 30, 2015	Total Net Expenditures through June 30, 2015
Chavez Middle School	\$ 3,479,332	\$	\$ 3,479,332
Administrative Costs	472,180	32,415	504,595
Alessandro	127,037	(1,009)	126,028
Rodriguez Prep Academy	8,730,962		8,730,962
Norton Elementary School	309,556		309,556
Dominguez Elementary School	1,821,978	(45,114)	1,776,864
Indian Springs High School	666,625		666,625
Kitchen Remodel	85,338		85,338
Lunch Shelter Addition	64,182	34,499	98,681
Monterey	15,174,327		15,174,327
New Curtis Middle School	13,964,393		13,964,393
Portables (New Multi Resource)	651,469	112,754	764,223
Roosevelt	227,829		227,829
SDC Classrooms	16,088,187		16,088,187
Wilson	217,538		217,538
Construction Management	4,472,534	788,440	5,260,974
Modernization	9,588,932	1,382,403	10,971,335
21st Century Classroom	72,149	(404)	71,745
Little Mountain Elementary School	10,008		10,008
Pakuma K-8 School	59,591	25,786	85,377
Jones Elementary School	8,888		8,888
Middle College High School	252,739	(234,200)	18,539
Rodriguez Portables	3,486		3,486
Additions	5,424,809	5,708,617	11,133,426
Library Replacement	14,723		14,723
Non Severe Day Class	2,750,246	279,273	3,029,519
Second Phase of Modernization	136,781	558,515	695,296
Defeasance of Certificates of Participation	44,742,912		44,742,912
Bond Issue Costs and Legal Fees	2,738,248		2,738,248
Asbestos Abatement	1,155,251		1,155,251
Deferred Maintenance	126,624	597	127,221
Golden Valley Middle School	500		500
Heating, Ventilation, Air-Conditioning	183,303	248,844	432,147
Capitalized Interest and Costs for 2011			
Taxable Certificates of Participation			
Issued to Augment Measure T Projects	5,477,612		5,477,612
Portables Removal Costs	3,965	158,616	162,581
DSA Closeout Work		188,949	188,949
Multi Purpose Room		139,332	139,332
Miscellaneous Small Projects		136,775	136,775
Playground Enhancements		515,419	515,419
Security Enhancements		108	108
Theatre		19,675	19,675
Transfers In from Other Funds	(13,789,650)		(13,789,650)
	<u>\$ 125,514,584</u>	<u>\$ 10,050,290</u>	<u>\$ 135,564,874</u>

See the accompanying notes to the financial statements

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF NET EXPENDITURES MEASURE N BOND BUILDING FUND For the Fiscal Year Ended June 30, 2015

	Net Expenditures in Previous Years	Actual Net Expenditures for Fiscal Year Ended June 30, 2015	Total Net Expenditures through June 30, 2015
Communications Costs	\$ 626,347	\$	\$ 626,347
School Police Vehicle Costs	812,296	76,412	888,708
Administrative Costs	20,738	1,053,550	1,074,288
CAPS	72,000	173,168	245,168
Community Day School at CID	1,435,523	2,278,121	3,713,644
Safety Upgrades	130,717	884,462	1,015,179
Additions	49,500	2,047	51,547
Non Severe Day Class	17,400		17,400
Second Phase of Modernization	747,703	5,996,644	6,744,347
Heating, Ventilation, Air-Conditioning	236	1,446,114	1,446,350
Construction Management	1,117,457	(932,680)	184,777
Modernization		38,546	38,546
Miscellaneous Small Projects		1,464	1,464
Professional Development Center		3,496,097	3,496,097
Security Enhancements		445,155	445,155
Technology Enhancements		1,419,976	1,419,976
Theatre		26,746	26,746
	<u>\$ 5,029,917</u>	<u>\$ 16,405,822</u>	<u>\$ 21,435,739</u>

See the accompanying notes to the financial statements



**INDEPENDENT AUDITOR'S 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 Board of Education
The Citizens' Oversight Committee
San Bernardino City Unified School District

We have audited, 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, the Measure T and Measure N financial statements of the San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's Measure T and Measure N Bond Building Funds financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over the Measure T and Measure N Bond Building Funds financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness. See Finding 15-1.

**INDEPENDENT AUDITOR'S 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 the District's Measure T and Measure N Bond Building Funds financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the Measure T and Measure N Bond Building Funds financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vicenti Lloyd + Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
March 30, 2016

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

FINDING 15-1 - INTERNAL CONTROLS - CLOSING PROCESS ACCRUALS

Finding: It was noted during testing that the District's process to ensure that expenditure accruals related to construction projects are properly recorded is not operating effectively. As a result, there were construction expenditures that were not properly accrued at year end and construction expenditures accrued that should not have been accrued. Auditing standards suggest that material misstatements made during the closing process reflect a material weakness in the internal controls over financial reporting when the likelihood of misstatement is more than remote of continued occurrence.

Questioned Cost: \$1,269,686 in the Measure T Bond Building Fund.

Recommendations: Evaluate existing formal closing policies and procedures specifically for the accrual of construction related expenditures. The procedures should include, but not be limited to, the coordination of information between the accounting, facilities and purchasing departments to ensure all vendors and contracts have been considered for all work completed through June 30th but not paid before year-end. If an invoice has not been received, the accrual amount must be estimated using sound management assumptions.

District Response: The District will begin a process of reviewing its current closing policies and procedures related to construction projects to determine appropriate revisions needed to ensure the accuracy when accruing construction related expenditures. A comprehensive approach will be employed which will include the involvement of accounting, fiscal, facilities and purchasing departments to develop sound management procedures for use in estimating these types of liabilities at June 30th.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
MEASURE T AND MEASURE N BOND BUILDING FUNDS**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2015**

There were no findings related to the financial audit of the Measure T and Measure N Bond Building Funds for the fiscal year ended June 30, 2014.

PERFORMANCE AUDIT OF
MEASURE T AND MEASURE N



**INDEPENDENT AUDITOR'S REPORT ON PROPOSITION 39
COMPLIANCE REQUIREMENTS**

The Board of Education
The Citizens' Oversight Committee
San Bernardino City Unified School District

We have conducted a performance audit of the San Bernardino City Unified School District's (the District) Measure T and Measure N General Obligation Bond funds for the year ended June 30, 2015.

We conducted our performance audit in accordance with *Government 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 22 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure T and Measure N General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. 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 tests indicated that, in all significant respects, the District expended Measure T and Measure N General Obligation Bond funds for the fiscal year ended June 30, 2015, 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
Glendora, California
March 30, 2016

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2015

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 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.

In November 2012, a general obligation bond proposition (Measure N) of the District was approved by the voters of the District. Measure N authorized the District to issue up to \$250,000,000 of general obligation bonds to finance various capital projects, improvements, repairs and related costs, as specified in the bond measure provisions of Measure N.

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 and Measure N bond authorizations. 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 and Measure N Bond Building Funds have been expended only for the authorized bond projects.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS MEASURE T AND MEASURE N PERFORMANCE AUDIT

June 30, 2015

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure T and Measure N Bond Building Funds.
- Determine whether expenditures charged to the Measure T and Measure N Bond Building Funds have been made in accordance with the bond project lists approved by the voters through the approval of Measure T in March 2004 and Measure N in November 2012.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and California Education Code.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2014 to June 30, 2015. The sample of expenditures tested included 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, 2015 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 AND MEASURE N
PERFORMANCE AUDIT**

June 30, 2015

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2015, for the Measure T and Measure N Bond Building Funds. 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 and Measure N with regards to the approved bond projects lists. 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 and Measure N election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2015, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified on a sample basis that funds from the Measure T and Measure N Bond Building Funds were expended on the authorized bond projects. In addition, we verified that funds held in the Measure T and Measure N Bond Building Funds 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 AND MEASURE N
PERFORMANCE AUDIT**

June 30, 2015

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure T and Measure N Bond Building Funds and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Measure T and Measure N Bond Building Funds 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 AND MEASURE N
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

There were no findings related to the performance audit for the fiscal year ended June 30, 2015. In addition, there were no findings related to the performance audit for the fiscal year ended June 30, 2014.