

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2013

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2013

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

INDEPENDENT AUDITOR'S REPORT

The Citizens' Oversight Committee
San Bernardino City Unified School District
777 North "F" Street
San Bernardino, CA 92410

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, 2013, and the related notes to the financial statements, which collectively comprise the District's Measure T and Measure N Bond Building Fund 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.

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 Fund of the District as of June 30, 2013, 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 Fund 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 5, 2014 on our consideration of the District's internal control over the Measure T and Measure N Bond Building Fund 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 Fund 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 Fund financial reporting and compliance.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
March 5, 2014

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
MEASURE T AND MEASURE N BOND BUILDING FUND
June 30, 2013**

	<u>Measure T</u>	<u>Measure N</u>
<u>Assets</u>		
Cash in county treasury	\$ 30,061,146	\$ 42,372,968
Cash in banks		93,705
Due from other funds	2,197,338	
Total Assets	\$ 32,258,484	\$ 42,466,673
<u>Liabilities and Fund Balance</u>		
<u>Liabilities</u>		
Accounts payable	\$ 2,026,520	\$
Due to other funds	42,873	
Total Liabilities	2,069,393	-
<u>Fund Balance</u>		
Restricted	30,189,091	42,466,673
Total Fund Balance	30,189,091	42,466,673
Total Liabilities and Fund Balance	\$ 32,258,484	\$ 42,466,673

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 FUND
For the Fiscal Year Ended June 30, 2013**

	<u>Measure T</u>	<u>Measure N</u>
Revenues		
Interest and investment income	\$ 88,700	\$ 17,968
Total Revenues	<u>88,700</u>	<u>17,968</u>
Expenditures		
Classified salaries	121,674	
Employee benefits	44,624	
Services and other operating expenses	343,266	216,295
Capital outlay	<u>7,667,129</u>	
Total Expenditures	<u>8,176,693</u>	<u>216,295</u>
Deficiency of revenues over expenditures	<u>(8,087,993)</u>	<u>(198,327)</u>
Other Financing Sources (Uses)		
Proceeds from sale of bonds		42,665,000
Transfers in	2,588,535	
Transfers out	<u>(24,772)</u>	
Total Other Financing Sources (Uses)	<u>2,563,763</u>	<u>42,665,000</u>
Net change in fund balance	(5,524,230)	42,466,673
Fund Balance - Beginning of Year	<u>35,713,321</u>	
Fund Balance - End of Year	<u><u>\$ 30,189,091</u></u>	<u><u>\$ 42,466,673</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, 2013

	Budget *	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and investment income	\$ 61,250	\$ 88,700	\$ 27,450
Total Revenues	<u>61,250</u>	<u>88,700</u>	<u>27,450</u>
Expenditures			
Classified salaries	249,547	121,674	127,873
Employee benefits	90,224	44,624	45,600
Services and other operating expenses	3,082,968	343,266	2,739,702
Capital outlay	<u>34,661,885</u>	<u>7,667,129</u>	<u>26,994,756</u>
Total Expenditures	<u>38,084,624</u>	<u>8,176,693</u>	<u>29,907,931</u>
Deficiency of revenues over expenditures	<u>(38,023,374)</u>	<u>(8,087,993)</u>	<u>29,935,381</u>
Other Financing Sources (Uses)			
Transfers in	2,605,864	2,588,535	(17,329)
Transfers out	<u>(223,192)</u>	<u>(24,772)</u>	<u>198,420</u>
Total Other Financing Sources (Uses)	<u>2,382,672</u>	<u>2,563,763</u>	<u>181,091</u>
Net change in fund balance	<u>\$ (35,640,702)</u>	<u>(5,524,230)</u>	<u>\$ 30,116,472</u>
Fund Balance - Beginning of Year		<u>35,713,321</u>	
Fund Balance - End of Year		<u>\$ 30,189,091</u>	

* A budget for Measure N was not adopted for fiscal year 2012-13.

See the accompanying notes to the financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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 and Measure N 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 and Measure N Bond Building Fund of the 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 AND MEASURE N BOND BUILDING FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 Fund 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 Fund are determined by its measurement focus. The Measure T and Measure N Bond Building Fund is 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 Fund 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 FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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 Measure T and Measure N Bond Building Fund deposits in this pool as of June 30, 2013, as provided by the pool sponsor, was \$30,037,181 and \$42,339,188, respectively.

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.

NOTE 4 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

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

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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. The outstanding related bonded debt for the District at June 30, 2013 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
A	9/29/04	2.0 - 5.0%	8/1/29	\$ 44,999,498	\$ 34,079,498	\$	\$ 16,990,000	\$ 17,089,498
B	5/18/06	4.5 – 5.0%	8/1/30	67,999,967	66,021,185		61,055,426	4,965,759
C	3/14/07	3.8 - 4.7%	8/1/31	9,997,217	8,526,619		37,392	8,489,227
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	125,630,155	-	78,082,818	47,547,337
Refunding	6/12/13	2.0 - 5.0%	8/1/28	86,000,000		86,000,000		86,000,000
				<u>\$ 225,999,535</u>	<u>\$ 125,630,155</u>	<u>\$ 86,000,000</u>	<u>\$ 78,082,818</u>	<u>\$ 133,547,337</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 5 – BONDED DEBT: (continued)

Measure T (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest Component	Total
2014	\$ 3,657,837	\$ 3,491,564	\$ 842,163	\$ 7,991,564
2015	2,113,763	4,960,013	1,001,237	8,075,013
2016	3,213,624	4,904,219	1,171,376	9,289,219
2017	4,751,703	4,769,419	13,297	9,534,419
2018	5,250,965	4,540,444	14,035	9,805,444
2019-2023	32,921,260	18,133,756	68,740	51,123,756
2024-2028	43,803,673	8,612,084	141,327	52,557,084
2029-2033	22,563,691	381,375	36,586,309	59,531,375
2034-2038	8,622,167		53,377,833	62,000,000
2039-2043	6,648,654		51,776,346	58,425,000
Totals	\$ 133,547,337	\$ 49,792,874	\$ 144,992,663	\$ 328,332,874

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 FUND**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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, 2013 is:

<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2012</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2013</u>
A	6/12/13	2.0 - 5.0%	8/1/37	\$ 30,150,000	\$	\$ 30,150,000	\$	\$ 30,150,000
B	6/12/13	1.0 - 4.7%	8/1/27	12,515,000		12,515,000		12,515,000
				<u>\$ 42,665,000</u>	<u>\$ -</u>	<u>\$ 42,665,000</u>	<u>\$ -</u>	<u>\$ 42,665,000</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	\$ 1,070,359	\$ 1,070,359
2015	2,105,000	1,670,455	3,775,455
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
2019-2023	3,050,000	7,884,521	10,934,521
2024-2028	6,270,000	6,969,848	13,239,848
2029-2033	10,985,000	5,001,625	15,986,625
2034-2038	<u>17,565,000</u>	<u>1,872,500</u>	<u>19,437,500</u>
Totals	<u>\$ 42,665,000</u>	<u>\$ 29,365,638</u>	<u>\$ 72,030,638</u>

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

**SCHEDULE OF NET EXPENDITURES *
For the Fiscal Year Ended June 30, 2013**

	Net Expenditures in Previous Years	Actual Net Expenditures for Fiscal Year Ended June 30, 2013	Total Net Expenditures through June 30, 2013
Chavez Middle School	\$ 3,479,332	\$	\$ 3,479,332
Administrative Costs	439,615	19,989	459,604
Alessandro	269,528	735,636	1,005,164
Rodriguez Prep Academy	8,730,962		8,730,962
Norton Elementary School	309,556		309,556
Dominguez Elementary School	132,530		132,530
Indian Springs High School	648,356		648,356
Kitchen Remodel	84,584		84,584
Lunch Shelter Addition	64,182		64,182
Monterey	15,174,327		15,174,327
New Curtis Middle School	13,964,393		13,964,393
Portables (New Multi Resource)	4,500		4,500
Roosevelt	647,512	14,900	662,412
SDC Classrooms	16,112,327	(31,670)	16,080,657
Wilson	217,538		217,538
Construction Management	4,452,194		4,452,194
Modernization	10,999,677	(1,947,710)	9,051,967
21st Century Classroom	69,485	2,664	72,149
Little Mountain Elementary School	10,008		10,008
Pakuma K-8 School	12,080	28,410	40,490
Jones Elementary School	8,888		8,888
Middle College High School	252,739		252,739
Rodriguez Portables	3,486		3,486
Additions	590,155	3,809,319	4,399,474
Library Replacement	14,300		14,300
Non Severe Day Class	129,656	2,772,272	2,901,928
Second Phase of Modernization	400,715	61,982	462,697
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	17,756	112,485	130,241
Golden Valley Middle School	500		500
Heating, Ventilation, Air-Conditioning	4,000	44,175	48,175
Capitalized Interest and Costs for 2011			
Taxable Certificates of Participation			
Issued to Augment Measure T Projects	5,477,612		5,477,612
Transfers In from Other Funds	(13,780,128)	(9,522)	(13,789,650)
	<u>\$ 117,578,776</u>	<u>\$ 5,612,930</u>	<u>\$ 123,191,706</u>

* Expenditures are net of Interfund Transfers In from other funds.

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 Citizens' Oversight Committee
San Bernardino City Unified School District
777 North "F" Street
San Bernardino, CA 92410

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, 2013, and the related notes to the financial statements, which collectively comprise the District's Measure T and Measure N Bond Building Fund financial statements, and have issued our report thereon dated March 5, 2014.

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 Fund 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.

**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***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure T and Measure N Bond Building Fund 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*.

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
Glendora, CA
March 5, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

There were no findings related to the financial audit of the Measure T and Measure N Bond Building Fund for the fiscal year ended June 30, 2013. In addition, there were no findings related to the financial audit of the Measure T Bond Building Fund for the fiscal year ended June 30, 2012.

**PERFORMANCE AUDIT OF
MEASURE T AND MEASURE N**

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

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's (the "District") Measure T and Measure N General Obligation Bond funds for the year ended June 30, 2013.

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 18 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 and Sections 15264 and 15272 – 15286 of the California Education Code 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 and Sections 15264 and 15272 – 15286 of the California Education Code. 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 year ended June 30, 2013, 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 and Sections 15264 and 15272 – 15286 of the California Education Code.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
March 5, 2014

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2013

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 Fund 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, 2013

OBJECTIVES

The objectives of our Performance Audit were to:

- Determine the expenditures charged to the District Measure T and Measure N Bond Building Fund.
- Determine whether expenditures charged to the Measure T and Measure N Bond Building Fund 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.
- Note incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight 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, 2012 to June 30, 2013. 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, 2013 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, 2013

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013, for the Measure T and Measure N Bond Building Fund. We also reviewed documentation, including the District website, for compliance with California Education Code Sections 15264 and 15272 – 15286. 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 as 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, 2013, 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 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.
- The Measure N Bond Building Fund did not have any project expenditures during the fiscal year ended June 30, 2013. All expenditures were related to bond issuance costs from the sale of bond proceeds and were appropriate.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2013

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 Fund 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 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 AND MEASURE N
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

There were no findings related to the performance audit for the fiscal year ended June 30, 2013. In addition, there were no findings related to the performance audit for the fiscal year ended June 30, 2012.