

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, 2014

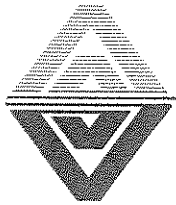
SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT
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MEASURE T AND MEASURE N BOND BUILDING FUNDS
FINANCIAL AND PERFORMANCE AUDITS

June 30, 2014

CONTENTS

	<u>Page</u>
Financial Audit of Measure T and Measure N Bond Building Funds:	
Independent Auditor’s Report.....	1-2
Balance Sheet - Measure T and Measure N Bond Building Funds	3
Statement of Revenues, Expenditures and Change in Fund Balance - Measure T and Measure N Bond Building Funds	4
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Measure T Bond Building Fund	5
Statement of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - Measure N Bond Building Fund.....	6
Notes to Financial Statements.....	7-13
Schedule of Net Expenditures - Measure T Bond Building Fund	14
Schedule of Net Expenditures - Measure N Bond Building Fund.....	15
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 <i>Government Auditing Standards</i>	16-17
Schedule of Findings and Responses.....	18
Performance Audit of Measure T and Measure N:	
Independent Auditor’s Report on Proposition 39 Compliance Requirements.....	19
Background Information.....	20
Objectives	21
Scope of the Audit	21
Procedures Performed.....	22
Conclusion	23
Schedule of Findings and Responses.....	24

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



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, 2014, 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.

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, 2014, 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 17, 2015 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
Glendora, California
March 17, 2015

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

MEASURE T AND MEASURE N BOND BUILDING FUNDS

June 30, 2014

	<u>Measure T</u>	<u>Measure N</u>
<u>Assets</u>		
Cash in county treasury	\$ 30,194,961	\$ 39,603,860
Cash in banks		72,967
Accounts Receivable	3,142	
Due from other funds	28,339	
Total Assets	\$ 30,226,442	\$ 39,676,827
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 2,229,273	\$ 2,086,393
Due to other funds	33,063	23,924
Total Liabilities	2,262,336	2,110,317
Fund Balance		
Restricted	27,964,106	37,566,510
Total Fund Balance	27,964,106	37,566,510
Total Liabilities and Fund Balance	\$ 30,226,442	\$ 39,676,827

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, 2014

	<u>Measure T</u>	<u>Measure N</u>
Revenues		
Interest and investment income	\$ 88,481	\$ 129,754
Other income	9,412	
Total Revenues	<u>97,893</u>	<u>129,754</u>
 Expenditures		
Classified salaries	111,855	
Employee benefits	39,318	
Books and supplies		3,945
Services and other operating expenses	259,801	1,457,594
Capital outlay	1,145,642	3,555,950
Total Expenditures	<u>1,556,616</u>	<u>5,017,489</u>
 Deficiency of revenues over expenditures	<u>(1,458,723)</u>	<u>(4,887,735)</u>
 Other Financing Sources (Uses)		
Transfers in	698,991	
Transfers out	(1,465,253)	(12,428)
Total Other Financing Sources (Uses)	<u>(766,262)</u>	<u>(12,428)</u>
 Net change in fund balance	(2,224,985)	(4,900,163)
 Fund Balance - Beginning of Year	<u>30,189,091</u>	<u>42,466,673</u>
 Fund Balance - End of Year	<u>\$ 27,964,106</u>	<u>\$ 37,566,510</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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and investment income	\$ 154,272	\$ 88,481	\$ (65,791)
Other income	<u> </u>	<u>9,412</u>	<u>9,412</u>
Total Revenues	<u>154,272</u>	<u>97,893</u>	<u>(56,379)</u>
Expenditures			
Classified salaries	259,661	111,855	147,806
Employee benefits	82,350	39,318	43,032
Services and other operating expenses	3,703,340	259,801	3,443,539
Capital outlay	<u>22,351,223</u>	<u>1,145,642</u>	<u>21,205,581</u>
Total Expenditures	<u>26,396,574</u>	<u>1,556,616</u>	<u>24,839,958</u>
Deficiency of revenues over expenditures	<u>(26,242,302)</u>	<u>(1,458,723)</u>	<u>24,783,579</u>
Other Financing Sources (Uses)			
Transfers in	122,536	698,991	576,455
Transfers out	<u>(1,465,256)</u>	<u>(1,465,253)</u>	<u>3</u>
Total Other Financing Sources (Uses)	<u>(1,342,720)</u>	<u>(766,262)</u>	<u>576,458</u>
Net change in fund balance	<u>\$ (27,585,022)</u>	<u>(2,224,985)</u>	<u>\$ 25,360,037</u>
Fund Balance - Beginning of Year		<u>30,189,091</u>	
Fund Balance - End of Year		<u>\$ 27,964,106</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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest and investment income	\$ 94,988	\$ 129,754	\$ 34,766
Total Revenues	94,988	129,754	34,766
Expenditures			
Books and supplies	8,087	3,945	4,142
Services and other operating expenses	2,900,259	1,457,594	1,442,665
Capital outlay	27,174,214	3,555,950	23,618,264
Total Expenditures	30,082,560	5,017,489	25,065,071
Deficiency of revenues over expenditures	(29,987,572)	(4,887,735)	25,099,837
Other Financing Uses			
Transfers out	(12,428)	(12,428)	-
Total Other Financing Uses	(12,428)	(12,428)	-
Net change in fund balance	\$ (30,000,000)	(4,900,163)	\$ 25,099,837
Fund Balance - Beginning of Year		42,466,673	
Fund Balance - End of Year		\$ 37,566,510	

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, 2014**

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).

During the year, 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, 2014

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, 2014**

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 Funds deposits in this pool as of June 30, 2014, as provided by the pool sponsor, was \$30,205,008 and \$39,617,038, 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 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, 2014**

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, 2014 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, 2013</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2014</u>
A	9/29/04	2.0 - 5.0%	8/1/29	\$ 44,999,498	\$ 17,089,498	\$	\$ 905,000	\$ 16,184,498
B	5/18/06	4.5 - 5.0%	8/1/30	67,999,967	4,965,759		1,105,460	3,860,299
C	3/14/07	3.8 - 4.7%	8/1/31	9,997,217	8,489,227		2,377	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	47,547,337	-	2,012,837	45,534,500
Refunding	6/12/13	2.0 - 5.0%	8/1/28	86,000,000	86,000,000		1,645,000	84,355,000
				<u>\$225,999,535</u>	<u>\$133,547,337</u>	<u>\$ -</u>	<u>\$ 3,657,837</u>	<u>\$129,889,500</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 - BONDED DEBT: (continued)

MEASURE T (continued)

The annual debt service requirements for Measure T, as of June 30, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Accreted Interest Component	Total
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	5,850,000	4,263,194		10,113,194
2020-2024	35,256,260	16,442,109	68,740	51,767,109
2025-2029	46,148,673	6,382,538	141,327	52,672,538
2030-2034	13,643,494	39,375	46,676,506	60,359,375
2035-2039	8,748,230		55,066,770	63,815,000
2040-2043	4,912,788		39,997,212	44,910,000
	<u>\$ 129,889,500</u>	<u>\$ 46,301,311</u>	<u>\$ 144,150,500</u>	<u>\$ 320,341,311</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 accreting 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, 2014

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, 2014 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014
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>\$ 42,665,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,665,000</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 5 - BONDED DEBT: (continued)

MEASURE N (continued)

The annual debt service requirements for Measure N, as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	410,000	1,613,784	2,023,784
2020-2024	3,595,000	7,764,493	11,359,493
2025-2029	7,065,000	6,684,192	13,749,192
2030-2034	12,185,000	4,437,125	16,622,125
2035-2038	<u>14,615,000</u>	<u>1,228,900</u>	<u>15,843,900</u>
	<u>\$ 42,665,000</u>	<u>\$ 28,295,279</u>	<u>\$ 70,960,279</u>

NOTE 6 - SUBSEQUENT EVENT:

The District sold \$24,705,000 General Obligation Refunding Bonds on August 7, 2014. The bonds were sold with an interest rate of 2.0% to 5.0%. The bonds were sold to refund the District's outstanding Measure T Series A bonds and a prior refunding bond unrelated to either Measure T or Measure N.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF NET EXPENDITURES *

MEASURE T BOND BUILDING FUND

For the Fiscal Year Ended June 30, 2014

	Net Expenditures in Previous Years	Actual Net Expenditures for Fiscal Year Ended June 30, 2014	Total Net Expenditures through June 30, 2014
Chavez Middle School	\$ 3,479,332	\$	\$ 3,479,332
Administrative Costs	459,604	12,576	472,180
Alessandro	1,005,164	(878,127)	127,037
Rodriguez Prep Academy	8,730,962		8,730,962
Norton Elementary School	309,556		309,556
Dominguez Elementary School	132,530	1,689,448	1,821,978
Indian Springs High School	648,356	18,269	666,625
Kitchen Remodel	84,584	754	85,338
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	646,969	651,469
Roosevelt	662,412	(434,583)	227,829
SDC Classrooms	16,080,657	7,530	16,088,187
Wilson	217,538		217,538
Construction Management	4,452,194	20,340	4,472,534
Modernization	9,051,967	536,965	9,588,932
21st Century Classroom	72,149		72,149
Little Mountain Elementary School	10,008		10,008
Pakuma K-8 School	40,490	19,101	59,591
Jones Elementary School	8,888		8,888
Middle College High School	252,739		252,739
Rodriguez Portables	3,486		3,486
Additions	4,399,474	1,025,337	5,424,811
Library Replacement	14,300	423	14,723
Non Severe Day Class	2,901,928	(151,682)	2,750,246
Second Phase of Modernization	462,697	(325,916)	136,781
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	130,241	(3,617)	126,624
Golden Valley Middle School	500		500
Heating, Ventilation, Air-Conditioning	48,175	135,128	183,303
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	3,965
Transfers In from Other Funds	(13,789,650)		(13,789,650)
	<u>\$ 123,191,706</u>	<u>\$ 2,322,878</u>	<u>\$ 125,514,584</u>

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

See the accompanying notes to the financial statements

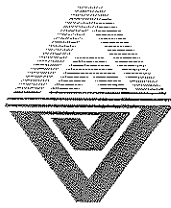
SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**SCHEDULE OF NET EXPENDITURES
MEASURE N BOND BUILDING FUND**

For the Fiscal Year Ended June 30, 2014

	<u>Net Expenditures in Previous Years</u>	<u>Actual Net Expenditures for Fiscal Year Ended June 30, 2014</u>	<u>Total Net Expenditures through June 30, 2014</u>
Communications Costs	\$	\$ 626,347	\$ 626,347
School Police Vehicle Costs		812,296	812,296
Administrative Costs		20,738	20,738
CAPS		72,000	72,000
Community Day School at CID		1,435,523	1,435,523
Safety Upgrades		130,717	130,717
Additions		49,500	49,500
Non Severe Day Class		17,400	17,400
Second Phase of Modernization		747,703	747,703
Heating, Ventilation, Air-Conditioning		236	236
Construction Management		1,117,456	1,117,456
	<u>\$ -</u>	<u>\$ 5,029,917</u>	<u>\$ 5,029,917</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 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, 2014, 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 17, 2015.

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.

**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 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*.

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

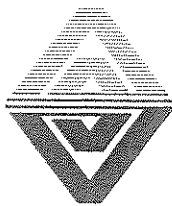
VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
March 17, 2015

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

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. In addition, 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, 2013.

**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, 2014.

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 21 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, for the fiscal year ended June 30, 2014, the District complied, in all significant respects, 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

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
March 17, 2015

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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

June 30, 2014

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, 2014

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.
- 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 California Education Code.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2013 to June 30, 2014. 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, 2014 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, 2014

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014, for the Measure T and Measure N Bond Building Funds. 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 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, 2014, 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, 2014

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, 2014**

There were no findings related to the performance audit for the fiscal year ended June 30, 2014. In addition, there were no findings related to the performance audit for the fiscal year ended June 30, 2013.