

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

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

**Fiscal Year Ending June 30, 2005**

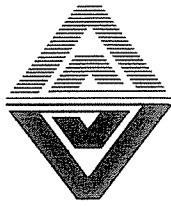
**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

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

**June 30, 2005**

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**Chairman**

ROYCE A. STUTZMAN

**Partners**

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

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MARY ANN QUAY

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**Principal**

JERI A. WENGER

**Senior Managers**

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PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Building Fund of the San Bernardino City Unified School District as of and for the fiscal year ended June 30, 2005. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Bond Building Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Bond Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Bond Building Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the San Bernardino City Unified School District as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The Citizens' Oversight Committee  
San Bernardino City Unified School District

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2005 on our consideration of the San Bernardino City Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 10, 2005

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET  
BOND BUILDING FUND**

**June 30, 2005**

**ASSETS**

Cash in County Treasury \$ \_\_\_\_\_ -

**TOTAL ASSETS** **\$ \_\_\_\_\_ -**

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts Payable \$ \_\_\_\_\_ -

**TOTAL LIABILITIES** \_\_\_\_\_ -

**FUND BALANCE**

    Designated \_\_\_\_\_ -

**TOTAL FUND BALANCE** \_\_\_\_\_ -

**TOTAL LIABILITIES AND FUND BALANCE** **\$ \_\_\_\_\_ -**

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BOND BUILDING FUND**

**For the Fiscal Year Ended June 30, 2005**

**REVENUES**

**Revenue from Local Sources**

Interest and Investment Income \$ 4,049

**TOTAL REVENUES**

4,049

**EXPENDITURES**

Capital Outlay 260,635

**TOTAL EXPENDITURES**

260,635

Deficiency of revenues over expenditures (256,586)

**OTHER FINANCING SOURCES (USES)**

Proceeds from Bonds 44,999,498

Defeasance of Certificates of Participation (44,742,912)

**TOTAL OTHER FINANCING SOURCES (USES)**

256,586

Excess of revenues over expenditures and other sources (uses) -

Fund Balance at Beginning of Year -

Fund Balance at End of Year \$ -

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BOND BUILDING FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Revenue from Local Sources			
Interest and Investment Income	\$ -	\$ 4,049	\$ 4,049
<b>Total Revenue from Local Sources</b>	<u>-</u>	<u>4,049</u>	<u>4,049</u>
<b>TOTAL REVENUES</b>	<u>-</u>	<u>4,049</u>	<u>4,049</u>
 <b>EXPENDITURES</b>			
Capital Outlay	<u>256,586</u>	<u>260,635</u>	<u>(4,049)</u>
<b>TOTAL EXPENDITURES</b>	<u>256,586</u>	<u>260,635</u>	<u>(4,049)</u>
 Deficiency of revenues over expenditures	<u>(256,586)</u>	<u>(256,586)</u>	<u>-</u>
 <b>OTHER FINANCING SOURCES</b>			
Proceeds from Bonds*	256,586	44,999,498	44,742,912
Defeasance of Certificates of Participation*	<u>-</u>	<u>(44,742,912)</u>	<u>(44,742,912)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>256,586</u>	<u>256,586</u>	<u>-</u>
 Excess of revenues over expenditures and other sources (uses)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
 Fund Balance at Beginning of Year		<u>-</u>	
 Fund Balance at End of Year		<u>\$ -</u>	

\*The bond proceeds were received and disbursed by a third party trustee. As these funds were not handled directly by the District, a budget was only established for the net proceeds deposited with the District.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2005**

**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 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 Bond Building Fund of the San Bernardino City Unified School District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

During the year, Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

**BUDGET**

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.



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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2005**

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

**CAPITAL ASSETS AND LONG-TERM DEBT**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Bond Building Fund are determined by its measurement focus. The 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 Bond Building Fund are accounted for in the basic financial statements of the San Bernardino City Unified School District.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

Excesses of expenditures over appropriations, by major object accounts, are as follows:

<u>Major Object Account</u>	<u>Excess Expenditures</u>
Capital Outlay	\$ 4,049

**NOTE 3 – BONDED DEBT:**

On March 2, 2004, the District voters authorized the issuance and sale of general obligation bonds totaling \$140,000,000. On September 16, 2004, \$44,999,497.70 of general obligation bonds were sold under Proposition 39/Measure T which provides that proceeds of the bonds will generally be used to repair buildings, classrooms, science labs, upgrade earthquake/fire safety, repair sidewalks, leaky roofs, drainage/water pipes, upgrade wiring/equipment for computer technology, enhance nursing/firefighter training, construct, acquire and equip modern classrooms/buildings, improve campus security and prepayment of interim District financings and that bond proceeds will not be used for salaries or administrative expenses.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2005**

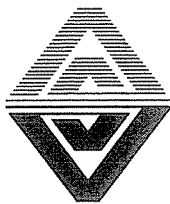
**NOTE 3 – BONDED DEBT: (continued)**

The outstanding related bonded debt for the San Bernardino City Unified School District at June 30, 2005 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
9/16/04	2-5%	8-1-2029	\$44,999,498	\$ 0	\$44,999,498	\$ 0	\$44,999,498

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2005	\$ 2,255,000	\$ 1,639,645	\$	\$ 3,894,645
2006	2,470,000	1,909,444		4,379,444
2007	2,650,000	1,810,644		4,460,644
2008	595,000	1,704,644		2,299,644
2009	885,000	1,691,256		2,576,256
2010-2015	4,790,000	7,996,938		12,786,938
2015-2020	6,925,000	6,854,000		13,779,000
2020-2025	11,100,000	4,780,713		15,880,713
2025-2030	<u>13,329,498</u>	<u>1,662,425</u>	<u>\$ 3,415,502</u>	<u>18,407,425</u>
Totals	<u>\$44,999,498</u>	<u>\$30,049,709</u>	<u>\$ 3,415,502</u>	<u>\$78,464,709</u>



**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

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Internal Control Over Financial Reporting

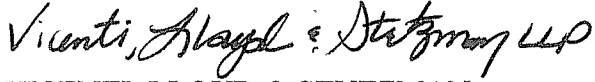
In planning and performing our audit, we considered San Bernardino City Unified District's internal control over Bond Building Fund financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over the Bond Building Fund financial reporting would not necessarily disclose all matters in the internal control over Bond Building Fund financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Bond Building Fund financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the Bond Building Fund financial reporting and its operation that we consider to be a material weakness.

**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 San Bernardino City Unified District's Bond Building Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of the Bond Building Fund disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the District's Board of Trustees, the Citizens' Oversight Committee and District management. It is not intended to be and should not be used by anyone other than these specified parties.

  
VICENTI, LLOYD & STUTZMAN LLP

November 10, 2005

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2005**

There were no findings and questioned costs related to the financial audit of the Bond Building Fund for the fiscal year ended June 30, 2005.