



Financial and Performance Audits  
Building Fund (Measures T and N)  
June 30, 2021

## San Bernardino City Unified School District

San Bernardino City Unified School District  
Building Fund (Measures T and N)

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June 30, 2021

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Financial Audit

Building Fund (Measures T and N)

June 30, 2021

# San Bernardino City Unified School District



## Independent Auditor's Report

Governing Board and  
Citizens Oversight Committee  
San Bernardino City Unified School District  
San Bernardino, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the San Bernardino City Unified School District's (the District), Building Fund (Measures T and N), as of and for the year ended June 30, 2021, and the related notes to the 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 statement 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 audit 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 financial position of the Building Fund (Measures T and N) of San Bernardino City Unified School District as of June 30, 2021, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Building Fund specific to Measures T and N are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of San Bernardino City Unified School District as of June 30, 2021, and for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 12 through 15, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022, on our consideration of San Bernardino City Unified School District's internal control over 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 solely 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 effectiveness of San Bernardino City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Bernardino City Unified School District's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 4, 2022

San Bernardino City Unified School District  
Building Fund (Measures T and N)

Balance Sheet  
June 30, 2021

	<u>Measure T</u>	<u>Measure N</u>	<u>Total</u>
Assets			
Deposits and investments	\$ 1,777,023	\$ 78,324,614	\$ 80,101,637
Due from other funds	<u>4,263</u>	<u>-</u>	<u>4,263</u>
Total assets	<u><u>\$ 1,781,286</u></u>	<u><u>\$ 78,324,614</u></u>	<u><u>\$ 80,105,900</u></u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 27,025	\$ 1,905,682	\$ 1,932,707
Due to other funds	<u>180</u>	<u>26,326</u>	<u>26,506</u>
Total liabilities	<u>27,205</u>	<u>1,932,008</u>	<u>1,959,213</u>
Fund Balance			
Restricted for capital projects	<u>1,754,081</u>	<u>76,392,606</u>	<u>78,146,687</u>
Total liabilities and fund balance	<u><u>\$ 1,781,286</u></u>	<u><u>\$ 78,324,614</u></u>	<u><u>\$ 80,105,900</u></u>

San Bernardino City Unified School District  
Building Fund (Measures T and N)  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Year Ended June 30, 2021

	Measure T	Measure N	Total
Revenues			
Interest income	\$ 36,404	\$ 619,951	\$ 656,355
Expenditures			
Current			
Salaries and benefits	(15,787)	81,698	65,911
Services			
Professional services and other operating expenditures	3,489	2,071,718	2,075,207
Travel and conference	162	-	162
Transfers of direct costs - interfund	176	26,543	26,719
Capital outlay			
Site improvements and other site costs	-	316,004	316,004
Buildings and improvements to buildings	199,660	6,301,885	6,501,545
Equipment	-	60,653	60,653
Other outgo			
Principal	-	5,725,000	5,725,000
Interest and other	-	1,709,899	1,709,899
Total expenditures	187,700	16,293,400	16,481,100
Deficiency of Revenues over Expenditures	(151,296)	(15,673,449)	(15,824,745)
Other Financing Sources (Uses)			
Transfers in	7,252	3,711,980	3,719,232
Other sources - proceeds from issuance of general obligation bonds	-	55,185,000	55,185,000
Transfers out	-	(112)	(112)
Net financing sources (uses)	7,252	58,896,868	58,904,120
Net Change in Fund Balance	(144,044)	43,223,419	43,079,375
Fund Balance - Beginning	1,898,125	33,169,187	35,067,312
Fund Balance - Ending	\$ 1,754,081	\$ 76,392,606	\$ 78,146,687

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the San Bernardino City Unified School District's (the District) Building Fund (Measures T and N) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The San Bernardino City Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

### **Financial Reporting Entity**

The financial statements include only the Building Fund of the San Bernardino City Unified School District used to account for Measures T and N projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measures T and N. These financial statements are not intended to present fairly the financial position and results of operations of the San Bernardino City Unified School District in compliance with accounting principles generally accepted in the United States of America.

### **Fund Accounting**

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

### **Basis of Accounting**

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.



### **Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid, and all outstanding encumbrances lapse at June 30.

### **Fund Balance - Building Fund (Measures T and N)**

As of June 30, 2021, the fund balance is classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## **Note 2 - Investments**

### **Policies and Practices**

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

### Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool.

### Specific Identification

Information about the sensitivity of the fair values of the Measures T and N's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days
San Bernardino County Treasury Investment Pool	\$ 78,626,418	461
US Bank Money Market Mutual Fund	1,833,574	1

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with San Bernardino County Investment Pool is rated AAA/S1 by Fitch Ratings.

### Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 – Quoted process in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted process for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust the data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

San Bernardino City Unified School District  
 Building Fund (Measures T and N)  
 Notes to Financial Statements  
 June 30, 2021

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The District's fair value measurements are as follows at June 30, 2021:

Investment Type	Reported Amount	Level 2 Inputs
US Bank Money Market Mutual Fund	\$ 1,833,574	\$ 1,833,574

All assets have been valued using a market approach, with quoted market prices.

**Note 4 - Interfund Transactions**

**Interfund Receivables/Payables (Due To/Due From)**

A balance of \$4,263 due to the Building Fund (Measure T) from the Capital Facilities Fund resulted from qualifying expenditures related to capital outlay.

A balance of \$180 due to the General Fund from the Building Fund (Measure T) resulted from qualifying expenditures related to capital outlay.

A balance of \$26,326 due to the General Fund from the Building Fund (Measure N) resulted from qualifying expenditures related to capital outlay.

**Interfund Transfers**

The County School Facilities Fund transferred \$7,252 in eligible construction costs to the Building Fund (Measure T).

The County School Facilities Fund transferred \$3,711,980 in eligible construction costs to the Building Fund (Measure N).

The Building Fund (Measure N) transferred \$112 for reimbursement of qualifying expenditures to the Special Reserve Fund for Capital Outlay Projects.

**Note 5 - Accounts Payable**

Accounts payable at June 30, 2021, consisted of the following:

	Measure T	Measure N	Total
Services	\$ -	\$ 744,290	\$ 744,290
Capital outlay	27,025	1,161,392	1,188,417
	<u>\$ 27,025</u>	<u>\$ 1,905,682</u>	<u>\$ 1,932,707</u>

San Bernardino City Unified School District  
 Building Fund (Measures T and N)  
 Notes to Financial Statements  
 June 30, 2021

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**Note 6 - Commitments and Contingencies**

As of June 30, 2021, the Building Fund (Measures T and N) had the following commitments with respect to unfinished projects:

Measures T and N Projects	Remaining Construction Commitment	Expected Date of Completion
Athletic Complex Upgrades-Phase III- Arroyo Valley High School	\$ 125,786	08/31/21
Barton Elementary School Modernization	136,114	07/31/21
BOE Renovation	71,458	06/30/22
Bonnie Oehl Elementary School Modernization	109,603	03/31/22
Bradley Elementary School Modernization	146,884	06/30/24
Cajon High School CTE - Bulding F Projects	422,328	02/28/22
Cole Elementary School Modernization	3,124	07/31/21
Del Rosa - Kinder	92,240	10/31/22
Del Rosa Elementary School Modernization	198,061	10/31/22
Del Vallejo Middle School - Classroom Upgrades	13,250	07/31/21
Del Vallejo Middle School - Lunch Shade Shelter	10,454	06/30/22
District Police Headquarters	192,037	06/30/24
Hunt Elementary School Modernization	52,251	06/30/24
Indian Springs High School CTE	5,460,536	06/30/22
Late Start Lighting	608,057	06/30/24
Martin Luther King Jr. Middle School Modernization	278,730	08/31/21
North Park Elementary School Modernization	1,085	07/31/21
Office Expansion PDC SMART/ WHAA	57,184	02/28/22
Paakuma Expansion	100,192	06/30/24
Pacific High School - Admin Building	6,923,854	09/30/22
Pacific High School - C West Music Building	36,350	06/30/24
Pacific High School - Modernization	22,697,751	04/30/23
Pacific High School - Performing Arts Center	1,055,614	06/30/24
Pacific High School - Student Center	21,000	06/30/24
Pacific High School CTE - Biomed	565,584	06/30/24
Pacific High School CTE Transportation Building	9,542,161	08/31/22
Prop 39	1,006,359	02/28/22
Rio Vista Elementary School Modernization	125,730	07/31/21
San Bernardino High School CTE	837,057	12/31/22
San Bernardino High School Theatre	301,440	06/30/24
San Gorgonio High Scool - Tennis Court Fencing Replacement	64,576	06/30/24
San Gorgonio High Scool CTE - Hospitality & Tourism	7,732	06/30/24

San Bernardino City Unified School District  
Building Fund (Measures T and N)

Notes to Financial Statements

June 30, 2021

Measures T and N Projects	Remaining Construction Commitment	Expected Date of Completion
Savant ADA Upgrades	38,411	06/30/22
Serrano Middle School Modernization	1,747	06/30/24
Shandin Hills Middle School Modernization	1,673	06/30/24
Sierra High School Modernization	3,848	06/30/24
Single Point Entry - Davidson Elemenatry	100,051	09/30/21
Single Point Entry (2 Sites)	129,156	04/30/22
Single Point Entry (4 Sites)	54,723	07/31/21
Single Point Entry (5 Sites)	26,402	07/31/21
Warm Springs Elementary School Modernization	185,740	10/31/22
Welcoming Resources Center	139,000	06/30/24
Total	<u>\$ 51,945,333</u>	

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.



Supplementary Information  
June 30, 2021

## San Bernardino City Unified School District

San Bernardino City Unified School District  
Building Fund (Measures T and N)  
Schedule of Long-Term Liabilities (Measure T)  
June 30, 2021

**General Obligation Bonds**

The general obligation bonded debt for Measure T is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2021
9/16/04	8/1/29	1.25-5.46%	\$ 44,999,498	\$ 1,716,373	\$ 153,937	\$ -	\$ 1,870,310
5/18/06	8/1/30	4.50-5.15%	67,999,967	5,212,833	438,929	-	5,651,762
3/14/07	8/1/31	3.44-4.76%	9,997,217	13,994,953	-	13,994,953	-
3/3/11	8/1/42	7.41-7.50%	11,525,419	23,931,818	1,822,088	-	25,753,906
3/3/11	8/1/35	7.41-7.50%	5,477,434	12,878,186	1,168,364	-	14,046,550
6/12/13	8/1/28	2.00-5.00%	86,000,000	63,285,000	-	36,385,000	26,900,000
8/7/14	8/1/28	2.00-5.00%	24,705,000	14,745,000	-	1,695,000	13,050,000
			<u>\$ 250,704,535</u>	<u>\$ 135,764,163</u>	<u>\$ 3,583,318</u>	<u>\$ 52,074,953</u>	<u>\$ 87,272,528</u>

Between 2005 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 bonds mature through 2043 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2022	\$ 7,670,000	\$ -	\$ 3,348,750	\$ 11,018,750
2023	8,350,000	-	2,952,250	11,302,250
2024	9,070,000	-	2,520,750	11,590,750
2025	9,850,000	-	1,272,250	11,122,250
2026	1,090,000	-	223,250	1,313,250
2027-2031	11,442,072	8,087,928	305,250	19,835,250
2032-2036	16,574,110	31,060,890	-	47,635,000
2037-2041	19,424,427	48,165,573	-	67,590,000
2042-2043	3,801,919	12,918,081	-	16,720,000
Total	<u>\$ 87,272,528</u>	<u>\$ 100,232,472</u>	<u>\$ 10,622,500</u>	<u>\$ 198,127,500</u>



San Bernardino City Unified School District  
 Building Fund (Measures T and N)  
 Schedule of Long-Term Liabilities (Measure N)  
 June 30, 2021

**General Obligation Bonds**

The general obligation bonded debt for Measure N is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
6/12/13	8/1/37	2.00-4.00%	\$ 30,150,000	\$ 29,800,000	\$ -	\$ 29,800,000	\$ -
6/12/13	8/1/27	0.99-4.66%	12,515,000	7,160,000	-	4,665,000	2,495,000
7/15/15	8/1/40	2.00-5.00%	32,495,000	29,725,000	-	-	29,725,000
10/31/17	8/1/42	3.00-5.00%	31,550,000	30,750,000	-	480,000	30,270,000
10/31/17	8/1/42	4.00-5.00%	21,085,000	19,635,000	-	1,185,000	18,450,000
9/24/20	8/1/44	3.00%	35,000,000	-	35,000,000	-	35,000,000
9/24/20	8/1/37	0.49-2.73%	20,185,000	-	20,185,000	-	20,185,000
9/24/20	8/1/31	1.25-4.00%	13,250,000	-	13,250,000	-	13,250,000
9/24/20	8/1/37	0.49-2.72%	74,315,000	-	74,315,000	-	74,315,000
			<u>\$ 270,545,000</u>	<u>\$ 117,070,000</u>	<u>\$ 142,750,000</u>	<u>\$ 36,130,000</u>	<u>\$ 223,690,000</u>

On June 12, 2013, the District issued bonds, Series A and B, totaling \$42,665,000. On July 15, 2015, the District issued bonds, Series C, totaling \$32,495,000. On October 31, 2017, the District issued bonds, Series D and Series E, totaling \$52,635,000. On September 24, 2020, the District issues bonds, Series F and G, totaling \$55,185,000. Also, on September 24, 2020, the District issued refunding bonds, Series A and B, to advance refunding Series A and B bonds and prior bonds unrelated to Measure N.

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2022	\$ 4,765,000	\$ 6,842,537	\$ 11,607,537
2023	4,860,000	6,594,625	11,454,625
2024	4,540,000	6,415,369	10,955,369
2025	4,325,000	6,248,281	10,573,281
2026	10,925,000	6,195,550	17,120,550
2027-2031	51,870,000	27,281,908	79,151,908
2032-2036	44,665,000	20,897,935	65,562,935
2037-2041	48,250,000	13,471,662	61,721,662
2042-2043	49,490,000	3,244,000	52,734,000
Total	<u>\$ 223,690,000</u>	<u>\$ 97,191,867</u>	<u>\$ 320,881,867</u>

San Bernardino City Unified School District  
Building Fund (Measures T and N)  
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (Measure T)  
Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Interest income	\$ 58,260	\$ 36,404	\$ 21,856
Expenditures			
Current			
Salaries and benefits	96,845	(15,787)	112,632
Services			
Professional services and other operating expenditures	15,537	3,489	12,048
Travel and Conference	162	162	-
Transfers of direct costs - interfund	13,703	176	13,527
Capital outlay			
Buildings and improvements to buildings	1,279,924	199,660	1,080,264
Total expenditures	1,406,171	187,700	1,218,471
Deficiency of Revenues over Expenditures	(1,347,911)	(151,296)	(1,196,615)
Other Financing Uses:			
Transfers in	7,252	7,252	-
Net Change in Fund Balance	(1,340,659)	(144,044)	(1,196,615)
Fund Balance - Beginning	1,898,125	1,898,125	-
Fund Balance - Ending	\$ 557,466	\$ 1,754,081	\$ (1,196,615)

San Bernardino City Unified School District

Building Fund (Measures T and N)

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (Measure N)

Year Ended June 30, 2021

	Budget	Actual	Variance
Revenues			
Interest income	\$ 816,276	\$ 619,951	\$ 196,325
Expenditures			
Current			
Salaries and benefits	95,292	81,698	13,594
Services			
Professional services and other			
operating expenditures	3,215,425	2,071,718	1,143,707
Transfer of direct costs - interfund	48,952	26,543	22,409
Capital outlay			
Site improvement and other site costs	4,411,019	316,004	4,095,015
Buildings and improvements to buildings	76,831,257	6,301,885	70,529,372
Equipment	67,543	60,653	6,890
Other outgo			
Principal	5,725,000	5,725,000	-
Interest and other	3,560,082	1,709,899	1,850,183
Total expenditures	93,954,570	16,293,400	77,661,170
Deficiency of Revenues over Expenditures	(93,138,294)	(15,673,449)	(77,464,845)
Other Financing Sources (Uses):			
Transfers in	3,711,980	3,711,980	-
Other sources - proceeds from issuance of			
general liabilities bonds	-	55,185,000	(55,185,000)
Other sources - premium on bond issuance	-	-	-
Transfers out	-	(112)	112
Net Financing Sources	3,711,980	58,896,868	(55,184,888)
Net Change in Fund Balance	(89,426,314)	43,223,419	(132,649,733)
Fund Balance - Beginning	33,169,187	33,169,187	-
Fund Balance - Ending	\$ (56,257,127)	\$ 76,392,606	\$ (132,649,733)

**Note 1 - Purpose of Schedules**

**Schedule of Long-Term Liabilities**

This schedule provides a debt repayment schedule associated with the bond proceeds received through issuance of Building Fund (Measures T and N) liabilities.

**Budgetary Comparison Statements**

These schedules provide the budget to actual comparison for the Statement of Revenues, Expenditures, and Change in Fund Balance of the Building Fund (Measures T and N).



Independent Auditor's Report  
June 30, 2021

**San Bernardino City Unified School  
District**



**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***

Governing Board and  
Citizens Oversight Committee  
San Bernardino City Unified School District  
San Bernardino, California

We have audited, in accordance with the 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 financial statements of the San Bernardino City Unified School District (the District) Building Fund (Measures T and N) as of and for the year ended June 30, 2021, and the related notes of the financial statements, and have issued our report thereon dated February 4, 2022.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Building Fund specific to Measures T and N are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of San Bernardino City Unified School District as of June 30, 2021, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered San Bernardino City Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Bernardino City Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Bernardino City Unified School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measures T and N) 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Financial Statement Findings, as item 2021-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether San Bernardino City Unified School District's Building Fund (Measures T and N) financial statements are free from 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 financial statements. 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of San Bernardino City Unified School District's Building Fund (Measures T and N) in a separate letter dated February 4, 2022.

### **San Bernardino City Unified School District's Response to Finding**

San Bernardino City Unified School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. San Bernardino City Unified School District's response was not subjected to the auditing procedures applied in the audit of the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The signature is written in a cursive, handwritten style. It appears to read "Eric Bailey" followed by "LLP".

Rancho Cucamonga, California  
February 4, 2022

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The findings have been coded as follows:

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	30000	Internal Control
2021-001	30000	
	Criteria or Specific Requirements	
	<p>Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.</p>	
	Condition	
	<p>The District's Cash in Banks and Cash with Fiscal Agent in the Building Fund are overstated by combined amount of \$584,805.</p>	
	Questioned Costs	
	<p>There were no questioned costs associated with the condition identified.</p>	
	Context	
	<p>The condition was identified as a result of our audit of the financial statements as of June 30, 2021. During our review of available District records and audit procedures performed related to current year ending balances, the error noted was identified.</p>	
	Effect	
	<p>The effect of this current year adjustment was a decrease in the cash balance and fund balance in the Building Fund of \$584,805.</p>	
	Cause	
	<p>The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the review of cash balances to ensure the balance is accurate and has sufficient support.</p>	



#### Recommendation

A thorough review of the District's financial statements should take place before the financial statements are finalized by the District's business department. Cash balances should be reviewed and traced to appropriate supporting document and any necessary adjustment to the balance should be made to reflect accurate balance.

#### Corrective Action Plan/Views of Responsible Official

The District's Fiscal Services Budget Officer is dedicated to accounting for Bond/COP issuances and recording activities thereafter. It appears this finding is in relation to "holding" accounts established to cover the administrative costs of prior issuance of GO bonds. Initially the establishment of the holding account was charged as a cost of issuance instead of being recorded as a holding account.

Effective FY 2021-2022, the Officer will be responsible to ensure a holding account is established and expenditures are recorded on the District's books as costs are incurred (monthly) and bank statements are received by the District until the account is closed and any remaining funds are returned to the District.

San Bernardino City Unified School District  
Building Fund (Measures T and N)  
Summary Schedule of Prior Audit Findings  
June 30, 2021

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management  
San Bernardino City Unified School District  
San Bernardino, CA

In planning and performing our audit of the financial statements of San Bernardino City Unified School District (the District) for the year ended June 30, 2021, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 4, 2022, on the financial statements of the District.

#### **Measure T and Measure N**

##### *Observation*

- The calculation of the fair value adjustment was not allocated to Measure T or Measure N.

##### *Recommendation*

- Fair value adjustment should be allocated to Measure T or Measure N to properly reflect both cash balances.

We will review the status of the current year comments during our next audit engagement.

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 4, 2022



Performance Audit

Building Fund (Measures T and N)

June 30, 2021

# San Bernardino City Unified School District



## Independent Auditor's Report on Performance

Governing Board and  
Citizens Oversight Committee  
San Bernardino City Unified School District  
San Bernardino, California

We were engaged to conduct a performance audit of the San Bernardino City Unified School District (the District) Building Fund (Measures T and N) for the year ended June 30, 2021.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions 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 within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended Building Fund (Measures T and N) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than this specified party.

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 4, 2022

## **Authority for Issuance**

### Measure T

The general obligation bonds associated with Measure T were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Education of the District on February 4, 2004.

The District received authorization from an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed \$140,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2004 Authorization). The bonds represent all series of the authorized bonds to be issued under the 2004 Authorization.

### Measure N

The general obligation bonds associated with Measure N were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Education of the District on August 7, 2012.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$250,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent series one through five of the authorized bonds to be issued under the 2012 Authorization.

## **Purpose of Issuance**

### Measure T

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, constructing, acquiring/equipping classrooms, labs, sites, libraries

#### Measure N

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.

#### **Authority for the Audit**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

#### **Objectives of the Audit**

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measures T and N.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measures T and N and not for District general administration or operations.

## Scope of the Audit

The scope of our performance audit covered the period of July 1, 2020 to June 30, 2021. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2021, were not reviewed, or included within the scope of our audit or in this report.

## Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2021, for the Building Fund (Measures T and N). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measures T and N as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes, including transfers out.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2020 through June 30, 2021 from Measures T and N bond proceeds.
  - c. We selected all expenditures that were individually significant expenditures as determined by our materiality assessment.
  - d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2020 and ending June 30, 2021.
3. For Measure T our sample included 26 transactions totaling \$179,895. This represents 96 percent of the total expenditures and other uses. As for Measure N, our sample included 6 transactions totaling \$8,251,031. This represents 53 percent of the total expenditures.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.



5. We determined that the District has met the compliance requirement of Measures T and N if the following conditions were met:
  - a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
  - b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the Districts.

### **Conclusion**

The results of our tests indicated that, in all significant respects, the San Bernardino City Unified School District has properly accounted for the expenditures held in the Building Fund (Measures T and N) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Building Fund (Measures T and N), and expended by the District, 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  
Building Fund (Measures T and N)  
Schedule of Findings and Questioned Costs  
June 30, 2021

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None reported.

San Bernardino City Unified School District  
Building Fund (Measures T and N)  
Summary Schedule of Prior Audit Findings  
June 30, 2021

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.