



Financial and Performance Audits
Building Fund (Measures T and N)
June 30, 2022

San Bernardino City Unified School District

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

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June 30, 2022

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Financial Audit
Building Fund (Measures T and N)
June 30, 2022

**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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Building Fund (Measures T and N) of the San Bernardino City Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (Measures T and N) of the District, as of June 30, 2022, and the change in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 change in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of long-term liabilities (Measure T), schedule of long-term liabilities (Measure N), schedule of revenues, expenditures, and change in fund balance – budget to actual (Measure T), and schedule of revenues, expenditures, and change in fund balance – budget to actual (Measure N) but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023 on our consideration of the Building Fund (Measures T and N) of the 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 the Building Fund (Measures T and N) of the 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 the Building Fund (Measures T and N) of the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
March 7, 2023

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

Balance Sheet
June 30, 2022

	Measure T	Measure N	Total
Assets			
Investments	\$ 740,076	\$ 53,899,185	\$ 54,639,261
Receivables	-	23,098	23,098
Due from other funds	12,364	4,760	17,124
Total assets	\$ 752,440	\$ 53,927,043	\$ 54,679,483
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 12,000	\$ 2,443,932	\$ 2,455,932
Due to other funds	4	23	27
Total liabilities	12,004	2,443,955	2,455,959
Fund Balance			
Restricted for capital projects	740,436	51,483,088	52,223,524
Total liabilities and fund balance	\$ 752,440	\$ 53,927,043	\$ 54,679,483

San Bernardino City Unified School District
 Building Fund (Measures T and N)
 Statement of Revenues, Expenditures, and Change in Fund Balance
 Year Ended June 30, 2022

	Measure T	Measure N	Total
Revenues			
Interest income	\$ 8,067	\$ 500,729	\$ 508,796
Fair-market value adjustment	(11,604)	(833,102)	(844,706)
Total revenues	(3,537)	(332,373)	(335,910)
Expenditures			
Current			
Salaries and benefits	7,112	36,728	43,840
Services			
Professional services and other operating expenditures	37,821	1,765,982	1,803,803
Rentals, leases, repairs, and noncapitalized Improvements	-	11,450	11,450
Travel and conference	162	-	162
Capital outlay			
Site improvements and other site costs	10,100	1,280,727	1,290,827
Buildings and improvements to buildings	1,336,466	14,852,797	16,189,263
Equipment	1,906	13,942	15,848
Other outgo			
Principal	-	5,865,000	5,865,000
Interest and other	-	975,367	975,367
Total expenditures	1,393,567	24,801,993	26,195,560
Deficiency of Revenues over Expenditures	(1,397,104)	(25,134,366)	(26,531,470)
Other Financing Sources			
Transfers in	383,459	224,848	608,307
Net Change in Fund Balance	(1,013,645)	(24,909,518)	(25,923,163)
Fund Balance - Beginning	1,754,081	76,392,606	78,146,687
Fund Balance - Ending	\$ 740,436	\$ 51,483,088	\$ 52,223,524

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 change 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, 2022, 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	\$ 53,868,120	495
US Bank Money Market Mutual Fund	771,141	1
Total	\$ 54,639,261	

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 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.

The District’s fair value measurements are as follows at June 30, 2022:

Investment Type	Reported Amount	Level 2 Inputs
US Bank Money Market Mutual Fund	\$ 771,141	\$ 771,141

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

Note 4 - Accounts Receivable

Receivables at June 30, 2022, consisted of the following:

	Measure T	Measure N	Total
Interest	\$ -	\$ 23,098	\$ 23,098

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

A balance of \$12,364 due to the Building Fund (Measure T) from the General Fund resulted from qualifying expenditures related to capital outlay.

A balance of \$4,760 due to the Building Fund (Measure N) from the General Fund resulted from qualifying expenditures related to capital outlay.

The balance of \$4 due to the General Fund from the Building Fund (Measure T) resulted from reimbursement of health and welfare expenditures.

The balance of \$23 due to the General Fund from the Building Fund (Measure N) resulted from reimbursement of health and welfare expenditures.

Interfund Transfers

The County School Facilities Fund transferred \$383,459 in eligible construction costs to the Building Fund (Measure T).

The County School Facilities Fund transferred \$224,848 in eligible construction costs to the Building Fund (Measure N).

Note 6 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	Measure T	Measure N	Total
Services	\$ 12,000	\$ 335,164	\$ 347,164
Capital outlay	-	2,108,768	2,108,768
	<u>\$ 12,000</u>	<u>\$ 2,443,932</u>	<u>\$ 2,455,932</u>
Total	<u>\$ 12,000</u>	<u>\$ 2,443,932</u>	<u>\$ 2,455,932</u>

San Bernardino City Unified School District
 Building Fund (Measures T and N)
 Notes to Financial Statements
 June 30, 2022

Note 7 - Commitments and Contingencies

As of June 30, 2022, the Building Fund (Measures T and N) had the following commitments with respect to unfinished projects:

District Wide Projects (Including Measure T & N)	Remaining Construction Commitments	Expected Date of Completion
Athletic Complex Upgrades-Phase III- Arroyo Valley High School	\$ 590,913	9/30/2024
Barton Elementary School Modernization	155,131	6/30/2024
BOE Renovation	142,456	6/30/2026
Bonnie Oehl Elementary School Modernization	1,025,130	6/30/2024
Bradley Elementary School Modernization	709,159	12/31/2022
Cajon High School CTE - Bulding F Projects	1,723,627	12/31/2022
Cole Elementary School Modernization	499,800	12/31/2022
Del Rosa - Kinder	61,952	12/31/2022
Del Rosa Elementary School Modernization	349,648	6/30/2024
Del Vallejo Middle School - Classroom Upgrades	174,630	6/30/2024
Del Vallejo Middle School - Lunch Shade Shelter	71,618	6/30/2024
District Police Headquarters	2,059,605	6/30/2024
Hunt Elementary School Modernization	4,804,058	6/30/2023
Indian Springs High School CTE	130,078	6/30/2024
Late Start Lighting	15,750	6/30/2024
Martin Luther King Jr. Middle School Modernization	12,353	9/30/2022
North Park Elementary School Modernization	8,981,824	6/30/2023
Office Expansion PDC SMART/ WHAA	3,229,937	12/31/2022
Paakuma Expansion	9,881,508	6/30/2023
Pacific High School - Admin Building	374,096	6/30/2024
Pacific High School - C West Music Building	3,000	6/30/2024
Pacific High School - Modernization	182,569	6/30/2024
Pacific High School - Performing Arts Center	2,109,211	12/31/2022
Pacific High School - Student Center	4,619,379	12/31/2022
Pacific High School CTE - Biomed	342,614	6/30/2024
Pacific High School CTE Transportation Building	8,000	6/30/2024
Prop 39	40,841	6/30/2024
Rio Vista Elementary School Modernization	295,358	6/30/2024
San Bernardino High School CTE	289,570	6/30/2024
San Bernardino High School Theater	29,118	6/30/2024
San Gorgonio High Scool - Tennis Court Fencing Replacement	86,229	6/30/2024
San Gorgonio High Scool CTE - Hospitality & Tourism	113,670	6/30/2024
Savant ADA Upgrades	204,119	12/31/2022
Serrano Middle School Modernization	1,676,506	12/31/2022
Shandin Hills Middle School Modernization	266,334	6/30/2024
	<u>\$ 45,259,791</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, 2022.



Other Information
June 30, 2022

**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, 2022

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, 2021	Capital Appreciation	Redeemed	Bonds Outstanding June 30, 2022
9/16/04	8/1/29	1.25-5.46%	\$ 44,999,498	\$ 1,870,310	\$ 167,270	\$ -	\$ 2,037,580
5/18/06	8/1/30	4.50-5.15%	67,999,967	5,651,762	475,887	-	6,127,649
3/3/11	8/1/42	7.41-7.50%	11,525,419	25,753,906	1,960,906	-	27,714,812
3/3/11	8/1/35	7.41-7.50%	5,477,434	14,046,550	1,274,314	-	15,320,864
6/12/13	8/1/28	2.00-5.00%	86,000,000	26,900,000	-	5,880,000	21,020,000
8/7/14	8/1/28	2.00-5.00%	24,705,000	13,050,000	-	1,790,000	11,260,000
			<u>\$ 240,707,318</u>	<u>\$ 87,272,528</u>	<u>\$ 3,878,377</u>	<u>\$ 7,670,000</u>	<u>\$ 83,480,905</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
2023	\$ 8,350,000	\$ -	\$ 1,708,625	\$ 10,058,625
2024	9,070,000	-	1,759,375	10,829,375
2025	9,850,000	-	979,000	10,829,000
2026	1,090,000	-	223,250	1,313,250
2027	1,195,000	-	166,125	1,361,125
2028-2032	10,890,228	7,444,772	139,125	18,474,125
2033-2037	22,619,876	37,770,124	-	60,390,000
2038-2042	19,958,286	49,601,714	-	69,560,000
2043	457,515	1,537,485	-	1,995,000
Total	<u>\$ 83,480,905</u>	<u>\$ 96,354,095</u>	<u>\$ 4,975,500</u>	<u>\$ 184,810,500</u>

San Bernardino City Unified School District
 Building Fund (Measures T and N)
 Schedule of Long-Term Liabilities (Measure N)
 June 30, 2022

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, 2021	Issued	Redeemed	Bonds Outstanding June 30, 2022
6/12/13	8/1/27	0.99-4.66%	\$ 12,515,000	\$ 2,495,000	\$ -	\$ 710,000	\$ 1,785,000
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	30,270,000	-	755,000	29,515,000
10/31/17	8/1/42	4.00-5.00%	21,085,000	18,450,000	-	1,335,000	17,115,000
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	-	335,000	19,850,000
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	-	1,630,000	72,685,000
			<u>\$ 240,395,000</u>	<u>\$ 223,690,000</u>	<u>\$ -</u>	<u>\$ 4,765,000</u>	<u>\$ 218,925,000</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
2023	\$ 4,860,000	\$ 6,500,831	\$ 11,360,831
2024	4,540,000	6,405,368	10,945,368
2025	4,325,000	6,224,844	10,549,844
2026	10,925,000	6,112,755	17,037,755
2027	11,665,000	5,943,727	17,608,727
2028-2032	55,100,000	26,017,861	81,117,861
2033-2037	38,970,000	19,637,014	58,607,014
2038-2042	50,110,000	11,481,777	61,591,777
2043	38,430,000	1,815,125	40,245,125
Total	<u>\$ 218,925,000</u>	<u>\$ 90,139,301</u>	<u>\$ 309,064,301</u>

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

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual (Measure T)
Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local revenues	\$ 28,751	\$ (3,537)	\$ (32,288)
Expenditures			
Current			
Salaries and benefits	112,317	7,112	105,205
Services			
Professional services and other			
operating expenditures	112,148	37,821	74,327
Travel and Conference	189	162	27
Transfers of direct costs	7,000	-	7,000
Capital outlay			
Site improvement and other site costs	16,659	10,100	6,559
Buildings and improvements to buildings	1,916,070	1,336,466	579,604
Equipment	1,906	1,906	-
Total expenditures	<u>2,166,289</u>	<u>1,393,567</u>	<u>772,722</u>
Deficiency of Revenues over Expenditures	<u>(2,137,538)</u>	<u>(1,397,104)</u>	<u>740,434</u>
Other Financing Sources			
Transfers in	<u>383,459</u>	<u>383,459</u>	<u>-</u>
Net Change in Fund Balance	(1,754,079)	(1,013,645)	740,434
Fund Balance - Beginning	<u>1,754,081</u>	<u>1,754,081</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2</u>	<u>\$ 740,436</u>	<u>\$ 740,434</u>

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

Statement of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual (Measure N)
Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Local revenues	<u>\$ 902,746</u>	<u>\$ (332,373)</u>	<u>\$ (1,235,119)</u>
Expenditures			
Current			
Salaries and benefits	45,875	36,728	9,147
Services			
Professional services and other operating expenditures	2,319,497	1,765,982	553,515
Rentals, Leases, Repairs, and Noncapitalized Improvements	14,260	11,450	2,810
Capital outlay			
Other planning costs	45,485,761	-	45,485,761
Site improvement and other site costs	3,339,142	1,280,727	2,058,415
Buildings and improvements to buildings	2,517,820	14,852,797	(12,334,977)
Equipment	1,856,836	13,942	1,842,894
Other outgo			
Principal	3,492,992	5,865,000	(2,372,008)
Interest and other	6,844,026	975,367	5,868,659
Total expenditures	<u>65,916,209</u>	<u>24,801,993</u>	<u>41,114,216</u>
Deficiency of Revenues over Expenditures	<u>(65,013,463)</u>	<u>(25,134,366)</u>	<u>39,879,097</u>
Other Financing Sources (Uses)			
Transfers in	225,186	224,848	338
Transfers out	<u>(338)</u>	<u>-</u>	<u>(338)</u>
Net Financing Sources	<u>224,848</u>	<u>224,848</u>	<u>-</u>
Net Change in Fund Balance	(64,788,615)	(24,909,518)	39,879,097
Fund Balance - Beginning	<u>76,392,606</u>	<u>76,392,606</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 11,603,991</u></u>	<u><u>\$ 51,483,088</u></u>	<u><u>\$ 39,879,097</u></u>

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, 2022

**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 Building Fund (Measures T and N) of the San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2022, and the related notes of the financial statements, and have issued our report thereon dated March 7, 2023.

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 change in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2022, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the 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 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 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Building Fund (Measures T and N) of the District's 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*.

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.

A handwritten signature in black ink that reads "Eide Sallly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
March 7, 2023

None reported.

Expect as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2021-001 30000

Criteria or Specific Requirements

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.

Condition

The District's Cash in Banks and Cash with Fiscal Agent in the Building Fund are overstated by combined amount of \$584,805.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

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.

Effect

The effect of this current year adjustment was a decrease in the cash balance and fund balance in the Building Fund of \$584,805.

Cause

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.

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.

Current Status

Implemented.



Performance Audit
Building Fund (Measures T and N)
June 30, 2022

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 Building Fund (Measures T and N) of the San Bernardino City Unified School District (the District) for the year ended June 30, 2022.

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 *2021-2022 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, Governing Board, and Citizens Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
March 7, 2023

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% 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% 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% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, 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, 2021 to June 30, 2022. 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, 2022, 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, 2022, 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.
 - b. We considered all expenditures recorded in all projects that were funded from July 1, 2021 through June 30, 2022 from Measures T and N bond proceeds.
 - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified based on our assessment of materiality.
3. For Measure T our sample included 23 transactions totaling \$1,298,829. This represents 93.2% of the total expenditures. As for Measure N, our sample included 51 transactions totaling \$24,306,245. This represents 98.0% 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 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, 2022

None reported.

San Bernardino City Unified School District
Building Fund (Measures T and N)
Summary Schedule of Prior Audit Findings
June 30, 2022

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