



ANNUAL FINANCIAL REPORT

JUNE 30, 2012

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
San Bernardino City Unified School District
San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, issued by the California Education Audit Appeals Panel as regulations. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Bernardino City Unified School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, budgetary comparison information and other postemployment benefits information on pages 60 and 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The Schedule of Expenditures of Federal Awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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. The 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

VAN DYKE, TRINE, DY & CO, LLP

Rancho Cucamonga, California
December 14, 2012

This section of San Bernardino City Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the District operates like *businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-Wide Financial Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Assets* includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The two District-wide financial statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Business-Type Activities

The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like State grants for building projects).

The District has three kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Proprietary Funds - Services for which the District charges a fee is generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements.

- The District's Enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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- We use Internal Service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund - the Self-Insurance Fund.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* net assets were larger on June 30, 2012, than they were the year before - increasing 43.7 percent to \$811.7 million. Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew by \$44.1 million to \$789.3 million. The net assets of the District's business-type activities decreased by \$0.4 million to \$22.4 million.

Table A-1

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 394.2	\$ 416.1	\$ 16.3	\$ 16.7	\$ 410.5	\$ 432.8
Capital assets	753.8	679.4	6.4	6.7	760.2	686.1
Total Assets	1,148.0	1,095.5	22.7	23.4	1,170.7	1,118.9
Liabilities						
Current liabilities	65.2	69.5	0.3	0.6	65.5	70.1
Long-term obligations	293.5	280.8	-	-	293.5	280.8
Total Liabilities	358.7	350.3	0.3	0.6	359.0	350.9
Net Assets						
Invested in capital assets, net of related debt	614.7	543.8	6.5	6.7	621.2	550.5
Restricted	175.2	195.9	15.9	16.1	191.1	195.9
Unrestricted	(0.6)	5.5	-	-	(0.6)	21.6
Total Net Assets	\$ 789.3	\$ 745.2	\$ 22.4	\$ 22.8	\$ 811.7	\$ 768.0

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Changes in Net Assets

The District's total revenues increased by \$20.9 million (see Table A-2). State and Federal aid for specific programs contributed about 43 cents of every dollar raised. Another 54 cents of every dollar raised came from property taxes and State and Federal formula aid, and the remainder from fees charged for services and miscellaneous sources.

Table A-2

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 2.7	\$ 2.4	\$ 1.6	\$ 2.1	\$ 4.3	\$ 4.5
Operating grants and contributions	168.3	155.9	26.9	26.7	195.2	182.6
Capital grants and contributions	69.6	66.6	-	-	69.6	66.6
General revenues:						
Federal and State unrestricted	302.1	305.8	-	-	302.1	305.8
Property taxes	29.4	26.4	-	-	29.4	26.4
Other general revenues	10.9	4.7	-	-	10.9	4.7
Total Revenues	583.0	561.8	28.5	28.8	611.5	590.6
Expenses						
Instruction-related	376.0	385.1	-	-	376.0	385.1
Student support services	48.5	49.2	-	-	48.5	49.2
Administration	36.8	23.4	-	-	36.8	23.4
Maintenance and operations	56.0	45.8	-	-	56.0	45.8
Other	21.6	20.3	28.9	28.4	50.5	48.7
Total Expenses	538.9	523.8	28.9	28.4	567.8	552.2
Change in Net Assets	\$ 44.1	\$ 38.0	\$ (0.4)	\$ 0.4	\$ 43.7	\$ 38.4

The total cost of all programs and services increased by \$15.6 million. The District's expenses are predominantly related to educating and caring for students (74.8 percent). The purely administrative activities of the District accounted for just 6.5 percent of total costs.

Total revenues surpassed expenses, increasing net assets to \$43.7 million over last year. Only the governmental activities contributed to the District's increase in net assets.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Governmental Activities

Revenues for the District's governmental activities were \$583 million, whereas total expenses were \$538.9. The increase in net assets for governmental activities occurred due to an overall decline in expenditures.

- Some of the District's activities (\$2.7) were financed by the users of the District's programs. See Table A-2.
- The Federal and State governments subsidized certain programs with grants and contributions (\$264.8 million). See Table A-2.

Business-Type Activities

Revenues of the District's business-type activities were \$28.5 million, and expenses were \$28.9 million. (Refer to Table A-2)

Net Cost of Services

Table A-3 presents the costs of major District governmental activities: instruction, instruction-related activities, home-to-school transportation, other pupil services (guidance, counseling, and evaluation), general administration, maintenance and operations, and all other activities. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

- Most of the District's governmental activity net costs (\$298.3 million) were financed by District taxpayers and the taxpayers of our State.
 - This portion of governmental activities was financed with \$29.4 million in property taxes, and \$302.1 million of unrestricted State and Federal aid based on the State-wide education aid formula. See Table A-2.

Table A-3

(Amounts in millions)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 304.1	\$ 311.1	\$ 124.5	\$ 144.7
Instruction-related activities	71.9	74.0	40.5	43.5
Home-to-school transportation	15.6	16.5	11.8	12.9
Other pupil services	32.9	32.7	22.8	22.5
General administration	36.8	23.4	32.4	18.4
Maintenance and operations	56.0	45.8	55.0	44.3
Other	21.6	20.3	11.3	12.5
Total	\$ 538.9	\$ 523.8	\$ 298.3	\$ 298.8

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported *combined* fund balances of \$304.2 million, an decrease of 4.2 percent from the previous year.

The business-type activities remained financially stable. In addition to the District-wide financial statements, Food Services is reported in greater detail in the enterprise fund statements.

The District's General Fund increased in fund balance by \$8.4 million. The District continues to meet the State required two percent reserve for Economic Uncertainties.

Table A-4

(Amounts in millions)	Balances and Activity			
	July 1, 2011	Revenues	Expenditures	June 30, 2012
General Fund	\$ 54.1	\$ 488.6	\$ 480.2	\$ 62.5
County School Facilities Fund	143.5	72.1	89.7	125.9
Capital Projects Component Units				
Fund	56.3	2.4	8.8	49.9
Adult Education Fund	0.1	1.1	1.2	-
Child Development Fund	-	8.1	7.6	0.5
Building Fund	37.9	2.6	3.2	37.3
Capital Facilities Fund	13.9	2.2	0.6	15.5
Special Reserve Fund for Capital				
Outlay Projects	0.5	0.8	0.3	1.0
Bond Interest and Redemption	11.2	10.9	10.5	11.6
Tax Override Fund	0.1	-	0.1	-
Total	\$ 317.6	\$ 588.8	\$ 602.2	\$ 304.2

General Fund Budgetary Highlights

The District revises the annual operating budget on an ongoing basis throughout the year.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$36.5 million and the actual results for the year show revenues exceeding expenditures by \$8.8 million.

- Actual revenues were \$9.4 million lower than expected, due primarily to lower Revenue Limit sources.
- The actual expenditures were \$54.7 million under budget, due primarily to budget cuts and other cost saving measures enacted by the District.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012, the District had invested an additional \$87.7 million in a broad range of capital assets, including school facilities and equipment. Total depreciation expense for the year was \$13.8 million. (More detailed information about capital assets can be found in Note 4 to the financial statements.)

Table A-5

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and construction in process	\$ 380.0	\$ 296.5	\$ -	\$ -	\$ 380.0	\$ 296.5
Buildings and improvements	368.1	376.8	5.1	5.6	373.2	382.4
Equipment	5.7	6.1	1.3	1.1	7.0	7.2
Total	\$ 753.8	\$ 679.4	\$ 6.4	\$ 6.7	\$ 760.2	\$ 686.1

The District was apportioned and received \$45.7 million of Proposition 1D and \$19.4 million of Proposition 47 State bond funds. These funds are being used for new construction and modernization projects across the District.

Long-Term Obligations

At year-end, the District had \$187.7 million in general obligation bonds decreasing last year's balance by \$1.4 million.

Table A-6

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds - net (financed with property taxes)	\$ 187.6	\$ 189.1	\$ -	\$ -	\$ 187.6	\$ 189.1
Certificates of participation - net	52.5	52.5	-	-	52.5	52.5
Childcare Facilities						
Revolving Fund	-	0.2	-	-	-	0.2
Accumulated vacation	0.8	1.5	-	-	0.8	1.5
Claims liability	12.7	10.1	-	-	12.7	10.1
SELF assessment	2.6	3.7	-	-	2.6	3.7
Supplemental early retirement plan (SERP)	27.0	16.0	-	-	27.0	16.0
Other postemployment benefits (OPEB)	10.3	7.7	-	-	10.3	7.7
Total	\$ 293.5	\$ 280.8	\$ -	\$ -	\$ 293.5	\$ 280.8

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The reduction in general obligation bonds is due to the principal payments for 1999 Series B, 2004 Series A, 2004 General Obligation Refunding Bonds and 2004 Series B. New debt resulted mainly from the supplemental early retirement, other postemployment benefits, and claims liability.

More detailed information about the District's long-term obligations is presented in Note 8 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

1. The State deficit and overall economic downturn in the State economy will affect future funding for school districts and other State funded agencies.
2. Any major changes in program funding such as declining enrollment or Average Daily Attendance (0.4 percent decline in 2011-2012) will impact the financial condition of the District.
3. Collective bargaining.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, 777 North F Street, San Bernardino, California 92410.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 247,094,581	\$ 13,784,190	\$ 260,878,771
Receivables	139,770,864	2,913,910	142,684,774
Internal balances	1,560,917	(1,560,917)	-
Prepaid expenses	49,637	-	49,637
Stores inventories	560,940	1,068,526	1,629,466
Deferred costs on issuance	4,476,523	-	4,476,523
Deferred charges on refunding	685,948	-	685,948
Capital assets			
Land and construction in process	380,021,853	-	380,021,853
Other capital assets	532,279,561	15,238,217	547,517,778
Less: Accumulated depreciation	(158,467,551)	(8,803,237)	(167,270,788)
Total Capital Assets	753,833,863	6,434,980	760,268,843
Total Assets	1,148,033,273	22,640,689	1,170,673,962
LIABILITIES			
Accounts payable	57,761,877	269,637	58,031,514
Interest payable	4,293,243	-	4,293,243
Deferred revenue	3,141,988	18,658	3,160,646
Long-term obligations			
Current portion of long-term obligations	15,359,872	-	15,359,872
Noncurrent portion of long-term obligations	278,182,313	-	278,182,313
Total Long-Term Obligations	293,542,185	-	293,542,185
Total Liabilities	358,739,293	288,295	359,027,588
NET ASSETS			
Invested in capital assets, net of related debt	614,673,784	6,434,980	621,108,764
Restricted for:			
Debt service	7,326,996	-	7,326,996
Capital projects	141,377,125	-	141,377,125
Educational programs	17,383,105	-	17,383,105
Other activities	9,081,760	15,917,414	24,999,174
Unrestricted	(548,790)	-	(548,790)
Total Net Assets	\$ 789,293,980	\$ 22,352,394	\$ 811,646,374

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 304,136,808	\$ 289,501	\$ 109,818,656	\$ 69,558,307
Instruction-related activities:				
Supervision of instruction	23,887,312	92,176	17,479,117	-
Instructional library, media, and technology	2,931,573	-	325,229	-
School site administration	45,069,336	6,151	13,437,477	-
Pupil services:				
Home-to-school transportation	15,560,608	-	3,738,287	-
Food services	130,860	-	-	-
All other pupil services	32,858,152	5,573	10,217,962	-
Administration:				
Data processing	5,940,001	-	-	-
All other administration	30,834,074	36,504	4,301,359	-
Plant services	55,978,051	349,175	675,526	-
Community services	7,319,257	168,166	6,460,149	-
Enterprise services	4,337	-	-	-
Interest on long-term obligations	14,161,825	-	-	-
Other outgo	38,359	1,737,383	1,885,842	-
Total Governmental Activities	538,850,553	2,684,629	168,339,604	69,558,307
Business-Type Activities				
Food services	28,904,346	1,586,962	26,901,467	-
Total School District	\$ 567,754,899	\$ 4,271,591	\$ 195,241,071	\$ 69,558,307

General revenues and subventions:

Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Taxes levied for other specific purposes
 Federal and State aid not restricted to specific purposes
 Interest and investment earnings
 Miscellaneous

Subtotal, General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (124,470,344)	\$ -	\$ (124,470,344)
(6,316,019)	-	(6,316,019)
(2,606,344)	-	(2,606,344)
(31,625,708)	-	(31,625,708)
(11,822,321)	-	(11,822,321)
(130,860)	-	(130,860)
(22,634,617)	-	(22,634,617)
(5,940,001)	-	(5,940,001)
(26,496,211)	-	(26,496,211)
(54,953,350)	-	(54,953,350)
(690,942)	-	(690,942)
(4,337)	-	(4,337)
(14,161,825)	-	(14,161,825)
3,584,866	-	3,584,866
(298,268,013)	-	(298,268,013)
-	(415,917)	(415,917)
(298,268,013)	(415,917)	(298,683,930)
16,336,156	-	16,336,156
10,693,995	-	10,693,995
2,416,324	-	2,416,324
302,141,985	-	302,141,985
160,154	2,611	162,765
10,633,494	-	10,633,494
342,382,108	2,611	342,384,719
44,114,095	(413,306)	43,700,789
745,179,885	22,765,700	767,945,585
\$ 789,293,980	\$ 22,352,394	\$ 811,646,374

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units
ASSETS			
Deposits and investments	\$ 48,559,868	\$ 70,309,059	\$ 51,290,615
Receivables	138,839,636	188,859	-
Due from other funds	1,912,647	69,579,683	-
Prepaid expenditures	49,637	-	-
Stores inventories	560,940	-	-
Total Assets	\$ 189,922,728	\$ 140,077,601	\$ 51,290,615
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 41,766,146	\$ 12,456,861	\$ 1,430,660
Due to other funds	83,366,597	1,726,838	-
Deferred revenue	2,286,479	-	-
Total Liabilities	127,419,222	14,183,699	1,430,660
Fund Balances:			
Nonspendable	821,577	-	-
Restricted	17,383,105	125,893,902	49,859,955
Assigned	34,898,824	-	-
Unassigned	9,400,000	-	-
Total Fund Balances	62,503,506	125,893,902	49,859,955
Total Liabilities and Fund Balances	\$ 189,922,728	\$ 140,077,601	\$ 51,290,615

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 54,026,571	\$ 224,186,113
700,948	139,729,443
14,411,486	85,903,816
-	49,637
-	560,940
<u>\$ 69,139,005</u>	<u>\$ 450,429,949</u>

\$ 1,751,401	\$ 57,405,068
578,460	85,671,895
855,509	3,141,988
<u>3,185,370</u>	<u>146,218,951</u>

-	821,577
64,874,049	258,011,011
1,079,586	35,978,410
-	9,400,000
<u>65,953,635</u>	<u>304,210,998</u>

<u>\$ 69,139,005</u>	<u>\$ 450,429,949</u>
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SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2012

Total Fund Balance - Governmental Funds		\$ 304,210,998
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 912,301,414	
Accumulated depreciation is:	(158,467,551)	
Net Capital Assets		753,833,863
The District has refunded various debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debts and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2012.		685,948
Expenditures relating to issuance of debt were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis as deferred cost on issuance.		4,476,523
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(4,293,243)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.		8,627,771
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	166,419,074	
Unamortized premium on issuance	8,069,401	
Certificates of participation	53,080,000	
Unamortized discount on issuance	(545,895)	
Compensated absences (vacations)	762,671	
Other postemployment benefits (OPEB)	10,252,797	
Supplemental early retirement (SERP)	26,954,595	
In addition, the District issues "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bond to date is:		
Total Long-Term Obligations	13,255,237	(278,247,880)
Total Net Assets - Governmental Activities		\$ 789,293,980

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units
REVENUES			
Revenue limit sources	\$ 256,501,760	\$ -	\$ -
Federal sources	77,123,245	-	2,390,015
Other State sources	144,808,273	68,742,593	-
Other local sources	9,982,354	932,014	25,145
Total Revenues	488,415,632	69,674,607	2,415,160
EXPENDITURES			
Current			
Instruction	287,020,950	-	-
Instruction-related activities:			
Supervision of instruction	23,507,652	-	-
Instructional library, media and technology	2,882,086	-	-
School site administration	44,204,839	-	-
Pupil services:			
Home-to-school transportation	15,552,813	-	-
Food services	9,212	-	-
All other pupil services	32,074,366	-	-
Administration:			
Data processing	5,915,448	-	-
All other administration	19,515,396	-	-
Plant services	44,510,193	-	-
Facility acquisition and construction	3,743,793	86,974,590	5,201,733
Community services	653,661	-	-
Other outgo	7,794	-	30,565
Debt service			
Principal	-	-	-
Interest and other	-	-	3,599,040
Total Expenditures	479,598,203	86,974,590	8,831,338
Excess (Deficiency) of			
Revenues Over Expenditures	8,817,429	(17,299,983)	(6,416,178)
Other Financing Sources (Uses)			
Transfers in	228,118	2,433,037	-
Transfers out	(626,113)	(2,680,762)	(7,064)
Net Financing (Sources) Uses	(397,995)	(247,725)	(7,064)
NET CHANGE IN FUND BALANCES	8,419,434	(17,547,708)	(6,423,242)
Fund Balances - Beginning	54,084,072	143,441,610	56,283,197
Fund Balances - Ending	\$ 62,503,506	\$ 125,893,902	\$ 49,859,955

The accompanying notes are an integral part of these financial statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 256,501,760
1,423,969	80,937,229
6,798,704	220,349,570
14,251,001	25,190,514
<u>22,473,674</u>	<u>582,979,073</u>
1,050,779	288,071,729
163,979	23,671,631
-	2,882,086
245,396	44,450,235
-	15,552,813
-	9,212
29,193	32,103,559
-	5,915,448
266,695	19,782,091
223,971	44,734,164
1,710,636	97,630,752
6,561,872	7,215,533
-	38,359
4,530,250	4,530,250
6,197,343	9,796,383
<u>20,980,114</u>	<u>596,384,245</u>
<u>1,493,560</u>	<u>(13,405,172)</u>
3,317,440	5,978,595
<u>(2,664,656)</u>	<u>(5,978,595)</u>
652,784	-
2,146,344	(13,405,172)
63,807,291	317,616,170
<u>\$ 65,953,635</u>	<u>\$ 304,210,998</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds \$ (13,405,172)

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlay exceeds depreciation in the period.

Capital outlays	\$ 87,664,438	
Depreciation expense	<u>(13,053,718)</u>	
Net Expense Adjustment		74,610,720

Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds. (136,350)

In the Statement of Activities, certain operating expenses - supplementary early retirement payments are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During the year, the District adopted a supplemental early retirement program with annuities of \$15,061,175 to be paid. (15,061,175)

In the Statement of Activities, certain operating expenses - compensated absences (vacation) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$715,054. Additionally, payments for supplemental early incentive program amounted to \$4,114,224. 4,829,278

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government-wide financial statements as an expense. The actual amount of the contribution was less than the annual required contribution. (2,506,595)

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2012

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities:

General obligation bonds	\$ 4,345,000
Child care facilities revolving fund	185,250

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 461,391	
Amortization of debt discount	(39,944)	
Amortization of deferred cost on issuance	(237,408)	
Amortization of deferred charges on refunding	(342,972)	
Combined Adjustment		(158,933)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased \$723,249, and second, \$3,483,260 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(4,206,509)

An Internal Service Fund is used by the District's management to charge the costs of the workers compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

	(4,381,419)
Change in Net Assets of Governmental Activities	<u>\$ 44,114,095</u>

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF NET ASSETS JUNE 30, 2012

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 13,784,190	\$ 22,908,468
Receivables	2,913,910	41,421
Due from other funds	29,722	1,333,077
Stores inventories	1,068,526	-
Total Current Assets	17,796,348	24,282,966
Noncurrent Assets		
Capital assets	15,238,217	-
Less: accumulated depreciation	(8,803,237)	-
Total Noncurrent Assets	6,434,980	-
Total Assets	24,231,328	24,282,966
LIABILITIES		
Current Liabilities		
Accounts payable	269,637	356,809
Due to other funds	1,590,639	4,081
Deferred revenue	18,658	-
Current portion of claims liability	-	3,410,903
Current portion of SELF assessment	-	107,510
Total Current Liabilities	1,878,934	3,879,303
Noncurrent Liabilities		
Noncurrent portion of claims liability and assessment	-	11,775,892
NET ASSETS		
Invested in capital assets, net of related debt	6,434,980	-
Restricted	15,917,414	8,627,771
Total Net Assets	\$ 22,352,394	\$ 8,627,771

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,576,687	\$ -
Charges to other funds and miscellaneous revenues	10,275	3,817,843
Total Operating Revenues	<u>1,586,962</u>	<u>3,817,843</u>
OPERATING EXPENSES		
Payroll costs	10,484,543	591,611
Professional and contract services	1,288,795	-
Supplies and materials	15,357,054	20,015
Facility rental	121,422	1,202
Other operating cost	887,762	7,708,386
Depreciation	764,770	-
Total Operating Expenses	<u>28,904,346</u>	<u>8,321,214</u>
Operating Loss	<u>(27,317,384)</u>	<u>(4,503,371)</u>
NONOPERATING REVENUES		
Interest income	2,611	121,952
Federal grants	24,911,751	-
State grants	1,989,716	-
Total Nonoperating Revenues	<u>26,904,078</u>	<u>121,952</u>
Change in Net Assets	<u>(413,306)</u>	<u>(4,381,419)</u>
Total Net Assets - Beginning	<u>22,765,700</u>	<u>13,009,190</u>
Total Net Assets - Ending	<u>\$ 22,352,394</u>	<u>\$ 8,627,771</u>

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 2,348,601	\$ -
Cash receipts from interfund services provided	-	2,409,366
Cash payments to other suppliers of goods or services	(17,056,049)	122,729
Cash payments to employees for services	(10,484,543)	(591,611)
Cash payments for insurance claims	-	(6,253,877)
Other operating cash payments	(1,009,184)	-
Net Cash Used for Operating Activities	(26,201,175)	(4,313,393)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	26,901,467	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(486,235)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,611	121,952
Net Increase (Decrease) in Cash and Cash Equivalents	216,668	(4,191,441)
Cash and Cash Equivalents - Beginning	13,567,522	27,099,909
Cash and Cash Equivalents - Ending	\$ 13,784,190	\$ 22,908,468
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (27,317,384)	\$ (4,503,371)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	764,770	-
Changes in assets and liabilities:		
Receivables	772,703	26,625
Due from other fund	(29,722)	(1,334,599)
Inventories	(42,263)	-
Accrued liabilities	(321,950)	117,321
Due to other fund	(45,987)	(73,878)
Deferred revenue	18,658	-
Claims liability and assessment	-	1,454,509
NET CASH USED FOR OPERATING ACTIVITIES	\$ (26,201,175)	\$ (4,313,393)
NONCASH, NONCAPITAL FINANCING ACTIVITIES		
During the year, the District received \$1,593,960 of food commodities from the U.S. Department of Agriculture.		

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	\$ 417,693	\$ 1,218,340
Receivables	515	4,922
Stores inventories	-	135,661
Total Assets	418,208	\$ 1,358,923
LIABILITIES		
Accounts payable	-	\$ 48,628
Due to student groups	-	1,310,295
Total Liabilities	-	\$ 1,358,923
NET ASSETS		
Held in reserve for scholarships	418,208	
Total Net Assets	\$ 418,208	

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN NET ASSETS

JUNE 30, 2012

	Scholarship Trust
ADDITIONS	
Interest	<u>\$ 2,240</u>
DEDUCTIONS	
Scholarships awarded	<u>33,250</u>
Change in Net Assets	(31,010)
Net Assets - Beginning	<u>449,218</u>
Net Assets - Ending	<u><u>\$ 418,208</u></u>

The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Bernardino City Unified School District (the District) was unified on July 1, 1964, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates forty-four elementary schools, ten middle schools, a middle college, five comprehensive high schools, one alternative education school, two continuation high schools, one community day school, an adult education school, and three special schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For San Bernardino City Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organization for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The San Bernardino City Unified School District and San Bernardino Schools Financing Corporation (the Corporation), as represented by the 2011 Certifications of Participation, has a financial and operational relationship which meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District. The financial statements present the Corporation's financial activity within the Capital Project Fund for Blended Component Units. All debt instruments issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for PAL Academy, Public Safety Academy, ASA Charter, Casa Ramona Academy, Options for Youth - San Bernardino, New Vision Middle, Carden Virtual Academy, Crown Ridge Academy, Hardy Brown College Prep, Excel Prep Charter, and SOAR Academy Schools pursuant to *Education Code* Section 47605.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Capital Project Fund for Blended Component Units Fund The Capital Project Fund for Blended Component Units Fund are used to account for capital projects financed by the San Bernardino Schools Financing Corporation and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Tax Override Fund The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise major fund of the District accounts for the financial transactions related to the food service operations of the District.

Internal Service Fund Internal service funds may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an internal service fund. In addition, self-insurance activity related to Other Post-Employment Benefits (OPEB) is accounted for within this fund.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Fiduciary Funds Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's Private Purpose Trust Funds are the Bradley Rogers and Jeffords Trust Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Governmental Funds All governmental funds are accounted for using the 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2012, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

Stores Inventories

Inventories are stated at the lower of cost or market, utilizing the weighted average method. The costs of inventory items are recorded as expenditures in the governmental-type funds and expenses in the proprietary-type and fiduciary-type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial Statement of Net Assets. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability on the government-wide Statement of Net Assets. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

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Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances - Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the chief business and financial officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$191,086,400 of restricted net assets, which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales in the cafeteria, and charges to other funds for self-insurance activity. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1st of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 8a) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*—an amendment of Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 247,094,581
Business-type activities	13,784,190
Fiduciary funds	1,636,033
Total Deposits and Investments	<u>\$ 262,514,804</u>

Deposits and investments as of June 30, 2012, consist of the following:

Cash on hand and in banks	\$ 52,063,066
Cash in revolving	519,585
Investments	209,932,153
Total Deposits and Investments	<u>\$ 262,514,804</u>

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 instruments; 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 agreements; 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 statements at amounts based upon the District's pro-rata share of the fair 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.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Amortized Cost	Fair Value	Weighted Average Maturity in Days
San Bernardino County Investment Pool	\$ 195,710,659	\$ 196,199,490	357 days
Wells Fargo Advantage Money Market Mutual Funds	4,548,512	4,548,512	30 days
Wells Fargo Advantage Repurchase Agreement			
Overland Express Sweep Account	9,672,982	9,672,982	1 day
Total	<u>\$ 209,932,153</u>	<u>\$ 210,420,984</u>	

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 investments with the San Bernardino County Investment Pool and the Wells Fargo Advantage Money Market Mutual Funds are rated Aaa by Moody's Investor Service. The Wells Fargo Advantage Repurchase Agreement Overland Express Sweep Account is not rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2012, the District's bank balance of \$51,042,975 was exposed to custodial credit risk because it was uninsured and uncollateralized.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Federal Government							
Categorical aid	\$ 11,016,215	\$ -	\$ 248,085	\$ -	\$ 11,264,300	\$ 2,652,057	\$ -
State Government							
Apportionment	96,332,874	-	-	-	96,332,874	-	-
Categorical aid	7,227,963	-	-	-	7,227,963	227,602	-
Lottery	3,941,203	-	-	-	3,941,203	-	-
Class size reduction	6,046,545	-	-	-	6,046,545	-	-
Special Education	9,673,356	-	-	-	9,673,356	-	-
Local Government							
ROP	1,023,391	-	-	-	1,023,391	-	-
Interest	56,865	188,859	68,771	28,902	343,397	-	515
Other Local Sources							
County of San Bernardino	-	-	107,116	-	107,116	-	-
Other	3,521,224	-	276,976	12,519	3,810,719	34,251	4,922
Total	<u>\$ 138,839,636</u>	<u>\$ 188,859</u>	<u>\$ 700,948</u>	<u>\$ 41,421</u>	<u>\$ 139,770,864</u>	<u>\$ 2,913,910</u>	<u>\$ 5,437</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 32,151,833	\$ -	\$ -	\$ 32,151,833
Construction in process	264,348,841	83,521,179	-	347,870,020
Total Capital Assets Not Being Depreciated	296,500,674	83,521,179	-	380,021,853
Capital Assets Being Depreciated				
Land improvements	42,920,812	228,872	-	43,149,684
Buildings and improvements	460,420,984	2,528,343	-	462,949,327
Furniture and equipment	25,598,953	1,386,044	804,447	26,180,550
Total Capital Assets Being Depreciated	528,940,749	4,143,259	804,447	532,279,561
Less Accumulated Depreciation				
Land improvements	31,299,530	841,342	-	32,140,872
Buildings and improvements	95,239,557	10,569,837	-	105,809,394
Furniture and equipment	19,542,843	1,642,539	668,097	20,517,285
Total Accumulated Depreciation	146,081,930	13,053,718	668,097	158,467,551
Governmental Activities Capital Assets, Net	\$ 679,359,493	\$ 74,610,720	\$ 136,350	\$ 753,833,863
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 8,828,028	\$ -	\$ -	\$ 8,828,028
Furniture and equipment	5,176,350	425,652	21,666	5,580,336
Vehicles	806,409	60,583	37,139	829,853
Total Capital Assets Being Depreciated	14,810,787	486,235	58,805	15,238,217
Less Accumulated Depreciation				
Buildings and improvements	3,256,163	441,401	-	3,697,564
Furniture and equipment	4,112,673	279,384	21,666	4,370,391
Vehicles	728,436	43,985	37,139	735,282
Total Accumulated Depreciation	8,097,272	764,770	58,805	8,803,237
Business-Type Activities Capital Assets, Net	\$ 6,713,515	\$ (278,535)	\$ -	\$ 6,434,980

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities

Instruction	\$ 11,748,347
All other pupil services	261,074
All other general administration	130,537
Plant services	913,760
Total Depreciation Expenses Governmental Activities	13,053,718

Business-Type Activities

Food services	764,770
Total Depreciation Expenses All Activities	\$ 13,818,488

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2012, between major and non-major governmental funds, enterprise funds, and internal service funds, are as follows:

Due To	Due From					Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Food Service Enterprise Fund	
General Fund	\$ -	\$ -	\$ 317,927	\$ 4,081	\$ 1,590,639	\$ 1,912,647
County School Facilities Fund	69,571,618	-	8,065	-	-	69,579,683
Non-Major Governmental Funds	12,475,596	1,725,926	209,964	-	-	14,411,486
Internal Service Fund	1,289,661	912	42,504	-	-	1,333,077
Food Service Enterprise Fund	29,722	-	-	-	-	29,722
Total	\$ 83,366,597	\$ 1,726,838	\$ 578,460	\$ 4,081	\$ 1,590,639	\$ 87,266,615

A balance of \$255,970 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from indirect costs, benefits, and other operating costs.

A balance of \$1,590,639 due to the General Fund from the Food Service Major Enterprise Fund resulted from payroll, indirect costs, benefits, and other operating costs.

A balance of \$69,500,000 due to the County School Facilities Fund from the General Fund was due to an interfund borrowing for cash flow needs.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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A balance of \$541,734 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from operating contributions.

A balance of \$1,293,612 due to the Building Non-Major Governmental Fund from the General Fund resulted from reimbursement of various qualifying capital outlay expenditures.

A balance of \$10,500,000 due to the Capital Facilities Non-Major Governmental Fund from the General Fund was due to an interfund borrowing for cash flow needs.

The balance of \$1,289,661 due to the Internal Service Fund from the General Fund resulted from the transfer of designated funds reserved for retiree health and welfare benefits.

A balance of \$1,724,630 due to the Building Non-Major Governmental Fund from the County School Facilities Fund resulted from the reimbursement of various qualifying capital outlay expenditures.

All remaining balances resulted for the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 17,633	\$ -	\$ 210,485	\$ 228,118
County School Facilities Fund	3,862	-	7,064	2,422,111	2,433,037
Non-Major Governmental Funds	622,251	2,663,129	-	32,060	3,317,440
Total	\$ 626,113	\$ 2,680,762	\$ 7,064	\$ 2,664,656	\$ 5,978,595

The General Fund transferred qualified capital outlay expenditures to the County School Facilities Fund.

\$ 3,862

The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions.

474,422

The General Fund transferred qualified capital outlay expenditures to the Building Non-Major Governmental Fund.

17,307

The General Fund transferred qualified capital outlay expenditures to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects.

130,522

The County School Facilities Fund transferred qualified capital outlay expenditures to the following funds:

General Fund	17,633
Building Non-Major Governmental Fund	2,439,066
Capital Facilities Non-Major Governmental Fund	10,340
Special Reserve Non-Major Governmental Fund for Capital Outlay Projects	213,723

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Operating Transfers, Continued

The Capital Projects Fund for Blended Component Units transferred qualified capital outlay expenditures to the County School Facilities Fund.	\$ 7,064
The Adult Education Non-Major Governmental Fund transferred to the General Fund for repayment of an operating loan.	90,000
The Building Non-Major Governmental Fund transferred qualified capital outlay expenditures to the following funds:	
General Fund	64,269
County School Facilities Fund	2,004,010
Capital Facilities Non-Major Governmental Fund	10,000
The Building Non-Major Governmental Fund transferred residual cost of issuance monies to the Bond Interest and Redemption Non-Major Governmental Fund.	21,960
The Capital Facilities Non-Major Governmental Fund transferred qualified capital expenditure to the following funds:	
County School Facilities Fund	198,048
Special Reserve Non-Major Governmental Fund for Capital Outlay Projects	100
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred qualified capital outlay expenditures to the County School Facilities Fund.	220,053
The Tax Override Non-Major Governmental Fund transferred excess property taxes to the General Fund.	56,216
Total	<u>\$ 5,978,595</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	General Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds
Accrued salaries and benefits	\$ 22,731,507	\$ 1,912	\$ -	\$ 440,324
State apportionment	1,176,313	-	-	2,430
Books and supplies	2,779,484	-	-	388,480
Services and other operating	9,578,088	307,794	2,348	655,748
Construction	1,525,863	12,134,262	1,428,312	81,063
Other vendor payables	3,974,891	12,893	-	183,356
Total	<u>\$ 41,766,146</u>	<u>\$ 12,456,861</u>	<u>\$ 1,430,660</u>	<u>\$ 1,751,401</u>

	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Accrued salaries and benefits	\$ 224,659	\$ 23,398,402	\$ -	\$ -
State apportionment	-	1,178,743	-	-
Books and supplies	799	3,168,763	127,883	-
Services and other operating	131,351	10,675,329	141,754	-
Construction	-	15,169,500	-	-
Other vendor payables	-	4,171,140	-	48,628
Total	<u>\$ 356,809</u>	<u>\$ 57,761,877</u>	<u>\$ 269,637</u>	<u>\$ 48,628</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund
Federal financial assistance	\$ 2,165,029	\$ -	\$ 2,165,029	\$ -
State categorical aid	24,719	6,624	31,343	-
Other local	96,731	848,885	945,616	18,658
Total	<u>\$ 2,286,479</u>	<u>\$ 855,509</u>	<u>\$ 3,141,988</u>	<u>\$ 18,658</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due in One Year
General obligation bonds	\$ 180,536,051	\$ 3,483,260	\$ 4,345,000	\$ 179,674,311	\$ 4,715,000
Premium on issuance	8,530,792	-	461,391	8,069,401	-
2011 Certificates of Participation	53,080,000	-	-	53,080,000	-
Discount on issuance	(585,839)	-	(39,944)	(545,895)	-
Child care facilities revolving fund	185,250	-	185,250	-	-
Accumulated vacation - net	1,477,725	-	715,054	762,671	-
Claims liability	10,150,707	5,940,778	3,410,903	12,680,582	3,410,903
SELF assessment	3,689,089	-	1,075,366	2,613,723	107,510
Supplemental early retirement plan (SERP)	16,007,644	15,061,175	4,114,224	26,954,595	7,126,459
Other postemployment benefits (OPEB)	7,746,202	4,765,250	2,258,655	10,252,797	-
Total	\$ 280,817,621	\$ 29,250,463	\$ 16,525,899	\$ 293,542,185	\$ 15,359,872

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Certificates of Participation are paid from the Capital Facilities Fund. The Child Care Facilities Revolving Fund payments are made by the Child Development Fund. The accumulated vacation will be paid by the fund for which the employee worked. Claims liability and SELF assessment are paid by the Internal Service Fund. Supplemental early retirement plan will be paid from the General Fund. Other postemployment benefits are paid by the Internal Service Fund.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2011	Accreted	Redeemed	Outstanding June 30, 2012
9/1/99	8/1/14	4.20-5.60%	\$ 7,300,000	\$ 2,890,774	\$ 140,132	\$ 770,000	\$ 2,260,906
5/1/03	8/1/27	1.10-5.46%	15,000,000	11,715,020	638,518	-	12,353,538
9/16/04	8/1/29	1.25-5.46%	44,999,498	35,451,531	-	1,220,000	34,231,531
9/16/04	8/1/24	1.25-4.59%	37,055,000	31,965,000	72,765	1,085,000	30,952,765
5/18/06	8/1/30	4.50-5.15%	67,999,967	70,219,501	748,665	1,130,000	69,838,166
3/14/07	8/1/30	3.77-4.74%	9,997,217	10,035,631	406,913	140,000	10,302,544
3/3/11	8/1/42	7.41-7.50%	11,525,419	12,364,443	941,462	-	13,305,905
3/3/11	8/1/35	7.41-7.50%	5,477,434	5,894,151	534,805	-	6,428,956
				<u>\$ 180,536,051</u>	<u>\$ 3,483,260</u>	<u>\$ 4,345,000</u>	<u>\$ 179,674,311</u>

1999 General Obligation Bonds, Series B

On September 1, 1999, the District issued the \$7,300,000 1999 General Obligation Bonds, Series B, for the acquisition and construction of certain real property and improvements of the District, and for the prepayment in whole of the 1998 Certificates of Participation. The Series B bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting \$3,741,200, and an aggregate principal debt service balance of \$11,041,200. The bonds have a final maturity which occurs on August 1, 2014, and yield interest rates of 4.20 to 5.60 percent. At June 30, 2012, 1999 General Obligation Bonds, Series B, totaling \$2,260,906 (including accretion) were still outstanding.

1999 General Obligation Bonds, Series C

On May 1, 2003, the District issued the \$15,000,000 1999 General Obligations Bonds, Series C. The Series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$16,775,000, and an aggregate principal debt service balance of \$31,775,000. The bonds have a final maturity which occurs on August 1, 2027, and yield interest rates of 1.10 to 5.46 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation and repair of certain school facilities.

On September 16, 2004, the San Bernardino City Unified School District issued the 2004 General Obligation Refunding Bonds in the amount of \$37,055,000. Bond proceeds from this issuance were used to refund \$7,160,000 of the outstanding San Bernardino City Unified School District 1999 General Obligation Bonds, Series C, with final prepayment to occur August 1, 2013 (\$7,030,000 of the refunded balance awaits prepayment). As a result of this prepayment, which meets the condition required of an advanced defeasance of debt, that portion of the 1999 General Obligation Bonds, Series C has been removed as a long-term obligation from the government-wide Statement of Net Assets.

At June 30, 2012, 1999 General Obligation Bonds, Series C totaling \$12,353,538 (including accretion) were still outstanding. Unamortized premium received on issuance amounted to \$296,116.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

2004 General Obligation Bonds, Series A

On September 16, 2004, the San Bernardino City Unified School District issued the 2004 General Obligation Bonds, Series A, in the amount of \$44,999,498. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$3,910,000, and an aggregate principal debt service balance of \$48,415,000. The bonds were issued at an aggregate price of \$45,972,569, (representing the principal amount of \$44,999,498 plus an original issue premium of \$1,946,303 less cost of issuance of \$973,232). The bonds have a final maturity which occurs on August 1, 2029, and yield interest rates of 1.25 to 5.46 percent. The bonds were issued to fund the construction, renovation, and repair of certain District facilities and the prepayment of \$57,000,000 of the District's outstanding Certificates of Participation (School Facility Bridge Funding Program).

At June 30, 2012, 2004 General Obligation Bonds, Series A, totaling \$34,231,531 (including accretion) were still outstanding. Unamortized premium received on issuance amounted to \$1,323,487.

2004 General Obligation Refunding Bonds

On September 16, 2004, the San Bernardino City Unified School District issued the 2004 General Obligation Refunding Bonds in the amount of \$37,055,000. The bonds were issued at an aggregate price of \$38,620,716, (representing the principal amount of \$37,055,000 plus an original issue premium of \$2,072,429 less cost of issuance of \$506,713). The bonds have a final maturity which occurs August 1, 2024, and yield interest rates of 1.25 to 4.59 percent. The bonds were issued to refund the outstanding San Bernardino City Unified School District 1999 General Obligation Bonds, Series A and Series C (with final prepayment to occur August 1, 2013), and to pay certain costs associated with the Refunding Bonds.

At June 30, 2012, 2004 General Obligation Refunding Bonds totaling \$30,952,765 were still outstanding. Unamortized premium received on issuance amounted to \$1,243,462.

2004 General Obligation Bonds, Series B

On May 18, 2006, the District issued \$67,999,967 of 2004 General Obligation Bonds, Series B. The Series B represents the second series of the authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$14,480,033, and an aggregate principal debt service balance of \$82,480,000. The bonds were issued at an aggregate price of \$71,995,896, (representing the principal amount of \$67,999,967 plus an original issue premium of \$5,604,225 less cost of issuance of \$1,608,296).

The bonds have a final maturity which occurs on August 1, 2030, with interest yields of 4.50 to 5.15 percent. Proceeds from the sale of the bonds will be used finance the construction, renovation and repair of certain school facilities. At June 30, 2012, the principal balance outstanding (including accretion) was \$69,838,166. Unamortized premium received on issuance amounted to \$4,259,211.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

2004 General Obligation Bonds, Series C

On March 14, 2007, the District issued \$9,997,217 of 2004 General Obligation Bonds, Series C. The Series C represents the third series of the authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$13,802,783, and an aggregate principal debt service balance of \$23,800,000. The bonds were issued at an aggregate price of \$9,997,217, (representing the principal amount of \$9,997,217 plus an original issue premium of \$306,344 less cost of issuance of \$306,344).

The bonds have a final maturity which occurs on August 1, 2030, and yield interest rates of 3.77 to 4.74 percent. Proceeds from the sale of the bonds were used to finance the construction, renovation and repair of certain school facilities. At June 30, 2012, the principal balance outstanding (including accretion) was \$10,302,544. Unamortized premium received on issuance amounted to \$245,074.

2004 General Obligation Bonds, Series D

On March 3, 2011, the San Bernardino City Unified School District issues the 2004 General Obligation Bonds, Series D, in the amount of \$11,525,419. The Series D represents the fourth series of authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The Series D bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$79,784,581, and an aggregate principal debt service balance of \$91,310,000. The bonds were issued at an aggregate price of \$11,550,483 (representing the principal amount of \$11,525,419 plus an original issue premium of \$505,866 less cost of issuance of \$480,802).

The bonds have a final maturity which occurs on August 1, 2042, and yield interest rates of 7.41 to 7.50 percent. Proceeds from the sale of the bonds will be used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2012, the principal balance outstanding (including accretion) was \$13,305,905. Unamortized premium received on issuance amounted to \$484,789.

2004 General Obligation Bonds, Series E

On March 3, 2011, the San Bernardino City Unified School District issues the 2004 General Obligation Bonds, Series E, in the amount of \$5,477,434. The Series E represents the fifth series of authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The Series E bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$35,157,566, and an aggregate principal debt service balance of \$40,635,000. The bonds were issued at an aggregate price of \$4,603,168 (representing the principal amount of \$5,477,434 plus an original issue premium of \$229,502 less cost of issuance of \$1,103,768).

The bonds have a final maturity which occurs on August 1, 2035, and yield interest rates of 7.41 to 7.50 percent. Proceeds from the sale of the bonds will be used to fund capitalized interest and to pay the premiums of bond insurance and a reserve surety bond for 2011 Certificates of Participation Series A. At June 30, 2012, the principal balance outstanding (including accretion) was \$6,428,956. Unamortized premium on issuance amounted to \$217,262.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2013	\$ 4,689,946	\$ 25,054	\$ 6,094,013	\$ 10,809,013
2014	5,047,789	212,211	6,005,447	11,265,447
2015	5,190,279	414,721	5,905,500	11,510,500
2016	5,281,075	478,925	5,766,531	11,526,531
2017	6,286,838	8,162	5,528,581	11,823,581
2018-2022	41,203,975	1,296,025	22,160,775	64,660,775
2023-2027	55,341,402	8,088,598	11,457,691	74,887,691
2028-2032	36,898,146	26,666,854	1,278,625	64,843,625
2033-2037	9,946,405	50,443,595	-	60,390,000
2038-2042	9,569,365	59,990,635	-	69,560,000
2043	219,091	1,775,909	-	1,995,000
Total	<u>\$ 179,674,311</u>	<u>\$ 149,400,689</u>	<u>\$ 64,197,163</u>	<u>\$ 393,272,163</u>

2011 Certificates of Participation, Series A

On March 3, 2011, the San Bernardino City Unified School District issued the 2011 Certificates of Participation Series A in the amount of \$53,080,000. The certificates were issued at an aggregate price of \$52,092,198 (representing the principal amount of \$53,080,000 less an original issue discount of \$599,154 and cost of issuance of \$388,648). The certificates have a final maturity date of February 1, 2026, with interest rates ranging from 7.903 to 8.403 percent. Proceeds from the sale of certificates will be used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2012, the principal balance outstanding was \$53,080,000. Unamortized discount on issuance amounted to \$545,895.

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2013	\$ -	\$ 4,220,372	\$ 4,220,372
2014	-	4,220,372	4,220,372
2015	-	4,220,372	4,220,372
2016	-	4,220,372	4,220,372
2017	-	4,220,373	4,220,373
2018-2022	27,970,000	16,895,639	44,865,639
2023-2026	25,110,000	5,229,872	30,339,872
Total	<u>\$ 53,080,000</u>	<u>\$ 43,227,372</u>	<u>\$ 96,307,372</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Child Care Facilities Revolving Fund

The District has entered into 29 lease-purchase agreements with the California Department of Education by participation in the Child Care Facilities Revolving Fund program. This program provides up to \$150,000 per site for the purchase of new relocatable child care facilities to be leased to the District. The repayments are to be amortized over a 10-year period with no interest fee. Upon full repayment, title to the relocatables shall transfer to the District. As of June 30, 2012, there was no outstanding balance.

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$762,671.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2012, amounted to \$12,680,582, using a discount factor of three percent.

SELF Assessment

The District is a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District workers' compensation insurance. The SELF board of directors declared an equity assessment to the member districts. At June 30, 2012 the District's outstanding obligation on their pro-rata share of equity assessed was \$2,613,723.

Supplementary Early Retirement Plan (SERP)

During 2009, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 114 employees who retired during the 2008-2009 school year, were purchased from the United of Omaha Life Insurance Company.

During 2010, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 241 employees who retired during the 2009-2010 school year, were purchased from United of Omaha Life Insurance Company.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

During 2011, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchase purchased for 62 employees who retired during 2010-2011 school year, were purchased from United of Omaha Life Insurance Company.

During 2012, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitle to through the California State Teacher's Retirement System and the California Public Employees' Retirement System. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 208 employees who retired during 2011-2012 school year, were purchased from United Omaha Life Insurance Company.

As of June 30, 2012, the outstanding obligation for the aforementioned Supplemental Early Retirement Plan was \$26,954,595.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2013	\$ 7,126,459
2014	7,126,459
2015	6,225,241
2016	3,464,201
2017	3,012,235
Total	<u>\$ 26,954,595</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$4,675,326, and contributions made by the District during the year were \$2,258,655. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$589,486 and \$(499,562), respectively, which resulted in an increase to the net OPEB obligation of \$2,506,595. As of June 30, 2012, the net OPEB obligation was \$10,252,797. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 211,000	\$ -	\$ -	\$ -	\$ 211,000
Stores inventories	560,940	-	-	-	560,940
Prepaid expenditures	49,637	-	-	-	49,637
Total Nonspendable	821,577	-	-	-	821,577
Restricted					
Legally restricted programs	17,383,105	-	-	453,989	17,837,094
Capital projects	-	125,893,902	49,859,955	52,799,821	228,553,678
Debt services	-	-	-	11,620,239	11,620,239
Total Restricted	17,383,105	125,893,902	49,859,955	64,874,049	258,011,011
Assigned					
Reserve for operating deficit	33,994,616	-	-	-	33,994,616
Salary reserve	753,689	-	-	-	753,689
CAHSEE intensive instruction	150,519	-	-	-	150,519
Adult education	-	-	-	36,281	36,281
Child development	-	-	-	1,630	1,630
Future capital projects	-	-	-	1,041,675	1,041,675
Total Assigned	34,898,824	-	-	1,079,586	35,978,410
Unassigned					
Reserve for economic uncertainties	9,400,000	-	-	-	9,400,000
Total	\$ 62,503,506	\$ 125,893,902	\$ 49,859,955	\$ 65,953,635	\$ 304,210,998

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the San Bernardino City Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 322 retirees and beneficiaries currently receiving benefits, 108 terminated Plan members entitled to but not yet receiving benefits, and 4,222 Plan members.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011-2012, the District contributed \$2,258,655 to the Plan, all of which was used for current premiums (approximately 85 percent of total premiums). Plan members receiving benefits contributed \$400,723, or approximately 15 percent of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 4,675,326
Interest on net OPEB obligation	589,486
Adjustment to annual required contribution	(499,562)
Annual OPEB cost (expense)	<u>4,765,250</u>
Contributions made	<u>(2,258,655)</u>
Increase in net OPEB obligation	2,506,595
Net OPEB obligation, beginning of year	<u>7,746,202</u>
Net OPEB obligation, end of year	<u><u>\$ 10,252,797</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 3,606,265	\$ 1,563,432	43.35%	\$ 5,715,585
2011	3,651,941	1,621,324	44.40%	7,746,202
2012	4,765,250	2,258,655	47.40%	10,252,797

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 30, 2011	\$ 553,767	\$ 40,228,979	\$ 39,675,212	1.38%	\$ 302,224,966	13.13%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 7.61 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost trend rates reflected an ultimate rate of four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2012, was 25 years.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District participated in the Southern California Schools Risk Management (SCSRM) public risk entity pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2012, the District was self-funded for workers' compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District has contracted with Kaiser and Health Net to provide employee medical and surgical benefits, and Delta PMI and Safeguard for dental benefits. Additional dental benefits and basic life insurance benefits are provided through the Southern California Schools Employee Benefits Association (SCSEBA) public risk entity pool.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2010 to June 30, 2012:

	Workers' Compensation
Liability Balance, July 1, 2010	\$ 10,150,707
Claims and changes in estimates	3,775,139
Claims payments	(3,775,139)
Liability Balance, June 30, 2011	10,150,707
Claims and changes in estimates	5,940,778
Claims payments	(3,410,903)
Liability Balance, June 30, 2012	\$ 12,680,582
Assets available to pay claims at June 30, 2012	\$ 21,837,975

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-2012 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2012, 2011, and 2010 were \$18,099,964, \$19,222,459, and \$20,142,562, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$8,034,146, \$8,028,509, and \$7,787,604, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$11,849,812 (4.855 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Public Agency Retirement System

The District also contributes to the Public Agency Retirement System (PARS), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by Federal law, all public sector employees who are not members of their employee's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes one percent of an employee's gross earnings. An employee is required to contribute 6.5 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$43,029, which was one percent of its current-year covered payroll. Employee contributions amounted to \$279,687.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

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, 2012.

Construction Commitments

As of June 30, 2012, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Modernization at various sites	\$ 54,005,331	06/30/13
New school construction - various sites	138,650,786	10/30/14
Miscellaneous/other projects	76,312,750	12/01/14
	<u>\$ 268,968,867</u>	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Southern California School's Risk Management (SCSRM), Southern California School's Employees Benefit Association (SCSEBA), and the Schools' Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to each entity for its property liability coverage, dental and life insurance coverage, and excess liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2012, the District made payments of \$1,674,936, \$5,312,281, and \$107,515 to SCSRM, SCSEBA, and SELF, respectively, for the coverage noted above.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 15 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 70 (Chapter 7, Statutes of 2011), 39 percent of current year funding has now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

NOTE 16 - SUBSEQUENT EVENT

Tax Revenue Anticipation Notes

The District issued \$80,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2012, through the California School Cash Reserve Program Authority. The notes mature on March 1, 2013, with an interest yield of 2.0 percent. The notes were sold to supplement cash flow. Repayments terms stipulate that 100 percent of principal and interest are due on the account to a designated fiscal agent by the notes' maturity date.

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REQUIRED SUPPLEMENTARY INFORMATION

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SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
REVENUES				
Revenue limit sources	\$ 241,013,880	\$ 257,869,955	\$ 256,501,760	\$ (1,368,195)
Federal sources	76,634,210	97,663,978	77,123,245	(20,540,733)
Other State sources	130,528,423	132,960,331	144,808,273	11,847,942
Other local sources	7,215,471	9,364,104	9,982,354	618,250
Total Revenues ¹	455,391,984	497,858,368	488,415,632	(9,442,736)
EXPENDITURES				
Current				
Certificated salaries	220,434,739	236,666,474	222,233,912	14,432,562
Classified salaries	65,287,165	72,809,118	66,277,069	6,532,049
Employee benefits	89,406,254	96,334,300	99,874,248	(3,539,948)
Books and supplies	37,649,766	39,119,877	22,929,224	16,190,653
Services and operating expenditures	70,238,897	83,634,935	65,502,045	18,132,890
Other outgo	(1,041,143)	(1,116,443)	(1,146,663)	30,220
Capital outlay	3,549,076	6,887,211	3,928,368	2,958,843
Total Expenditures ¹	485,524,754	534,335,472	479,598,203	54,737,269
Excess (Deficiency) of Revenues Over Expenditures	(30,132,770)	(36,477,104)	8,817,429	45,294,533
Other Financing Sources (Uses)				
Transfers in	-	235,310	228,118	(7,192)
Transfers out	-	-	(626,113)	(626,113)
Net Financing Sources (Uses)	-	235,310	(397,995)	(633,305)
NET CHANGE IN FUND BALANCE	(30,132,770)	(36,241,794)	8,419,434	44,661,228
Fund Balance - Beginning	54,084,072	54,084,072	54,084,072	-
Fund Balance - Ending	\$ 23,951,302	\$ 17,842,278	\$ 62,503,506	\$ 44,661,228

¹ On behalf payments of \$11,849,812 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FUNDING PROGRESS

FOR THE YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 30, 2008	\$ -	\$ 24,424,565	\$ 24,424,565	0.00%	\$ 335,800,369	7.27%
August 1, 2009	1,348,550	34,233,825	32,885,275	3.94%	333,483,774	9.86%
June 30, 2011	553,767	40,228,979	39,675,212	1.38%	302,224,966	13.13%

SUPPLEMENTARY INFORMATION

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SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Indian Education	84.060A	[1]	\$ 122,736
Funds for the Improvement of Education			
Funds for the Improvement of Education - Every Student Connected	84.215L	[1]	340,602
Passed through California Department of Education (CDE)			
ARRA State Fiscal Stabilization Fund	84.394	25008	2,278,399
Education Jobs Fund	84.410	25152	7,883,035
Adult Basic Education			
Adult Education - Basic Grants to States:			
Adult Basic Education and ESL	84.002A	14508	330,678
Adult Secondary Education	84.002	13978	118,282
Adult English Literacy and Civics Education	84.002A	14109	200,989
Subtotal Adult Education - Basic Grants to States			649,949
No Child Left Behind Act (NCLB)			
Title I, Grants to Local Educational Agencies:			
Title I, Part A - Low Income and Neglected	84.010	14329	27,405,468
ARRA Title I, Part - Low Income and Neglected	84.389	15005	730,824
Subtotal Title I grants to Local Educational Agencies			28,136,292
School Improvement Grants:			
Title I, School Improvement Grant for QEIA Schools	84.377	15127	3,504,063
ARRA Title I School Improvement Grants	84.388	15020	14,879,709
Subtotal School Improvement Grants			18,383,772
Improving Teacher Quality State Grants:			
Title II, Part A - Improving Teacher Quality	84.367	14341	3,577,288
Title II, Part A - Administrator Training Program	84.367	14344	31,038
Subtotal Improving Teacher Quality State Grants			3,608,326
Educational Technology State Grants:			
Title II, Part D - Enhancing Education Through Technology Formula Grant	84.318	14334	87,046
Title II, Part D - Enhancing Education Through Technology Competitive Grant	84.318	14368	203,600
ARRA Title II, Part D - Enhancing Education Through Technology Formula Grant	84.386	15019	11,144
ARRA Title II, Part D - Enhancing Education Through Technology Competitive Grant	84.386	15126	129,692
Subtotal Educational Technology State Grants			431,482

[1] Direct award funded program, PCA number not available.

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION (Continued)			
English Language Acquisition Grants:			
Title III - Immigrant Education Program	84.365	15146	\$ 117,055
Title III - Limited English Proficient Student Program	84.365	10084	2,148,814
Subtotal English Language Acquisition Grants Cluster			2,265,869
Title IV, Part A - Drug-Free Schools	84.186	14347	43,102
Twenty-First Century Community Learning Centers:			
Title IV, Part B - 21st Century Community Learning Centers: High School ASSET Program	84.287	14535	725,356
Title IV, Part B - 21st Century Community Learning Centers: CORE	84.287	14349	1,233,956
Title IV, Part B - 21st Century Community Learning Centers: Family Literacy	84.287	14788	19,985
Subtotal Twenty-First Century Community Learning Centers			1,979,297
Title X - McKinney-Vento Homeless Assistance Grants	84.196	14332	59,573
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Part B, Sec 611, Basic Local Assistance	84.027	13379	9,767,342
ARRA Part B, Sec 611, Basic Local Assistance	84.391	15003	1,905,942
Part B, Sec 619, Preschool Grants	84.173	13430	171,953
ARRA Part B, Sec 619, Preschool Grants	84.392	15000	34,210
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	266,012
ARRA Part B, Sec 611, Preschool Local Entitlement	84.391	15002	18,749
Part B, Sec 611, Mental Health Services	84.027A	14468	218,445
Part B, Sec 619, Preschool Staff Development	84.173A	13431	1,075
Subtotal Special Education (IDEA) Cluster			12,383,728
Part C, Early Intervention Grants	84.181	23761	59,697
Carl D. Perkins Vocational and Technical Education Act of 1998			
Career and Technical Education - Basic Grants to States			
Secondary Education	84.048	13924	574,560
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126A	10006	384,593
Total U.S. Department of Education			79,585,012

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Health Education to Prevent AIDS	93.938	[1]	\$ 43,815
Passed through California Department of Health Services			
Medical Assistance Program:			
Medi-Cal Billing Option	93.778	10013	100,262
Medi-Cal Administrative Activities	93.778	10060	113,828
Subtotal Medical Assistance Program			<u>214,090</u>
Passed through CDE			
Federal Child Care, Center Based	93.593	13609	772,580
ARRA Facilities Renovation and Repair	93.713	15010	1,440
Total U.S. Department of Health and Human Services			<u>1,031,925</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	17,512,185
Especially Needy Breakfast Program	10.553	13526	4,801,167
Meal Supplements	10.556	13392	891,410
Seamless Summer Food Program	10.559	13004	113,030
Commodities	10.555	13396	1,593,960
Subtotal Child Nutrition Cluster			<u>24,911,752</u>
Total U.S. Department of Agriculture			<u>24,911,752</u>
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Office Training Corps	12.000	[1]	273,624
U.S. Department of Defense Total			<u>273,624</u>
Total Expenditure of Federal Awards			<u>\$ 105,802,313</u>

[1] Direct award funded program, PCA number not available.

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2012

ORGANIZATION

The San Bernardino City Unified School District was established July 1, 1964. The District operates forty-four elementary schools, ten middle schools, a middle college, five comprehensive high schools, one alternative education school, two continuation high schools, one community day school, an adult education school, and three special schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Barbara Flores	President	2013
Michael J. Gallo	Vice President	2015
Margaret Hill	Member	2015
Judi Penman	Member	2013
Sharon Perong	Member	2015
Lynda K. Savage	Member	2015
Danny Tillman	Member	2013

ADMINISTRATION

Yolanda Ortega	Interim Superintendent
Mohammad Z. Islam	Chief Business and Financial Officer
Dr. Harold Vollkommer	Assistant Superintendent, Human Resources
Mel Albiso	Associate Superintendent, Administrative Services
John Peukert	Assistant Superintendent, Facilities/Operations
Dr. Eliseo Davalos	Chief Academic Officer, Educational Services
Dr. Kennon Mitchell	Assistant Superintendent, Student Services

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2012

		Final Report	
		Second Period Report	Annual Report
ELEMENTARY			
Kindergarten		4,029	4,044
First through third		11,884	11,873
Fourth through sixth		11,062	11,042
Seventh and eighth		6,792	6,770
Opportunity schools		45	47
Home and hospital		15	16
Community day school		19	18
Special education		949	964
Total Elementary		34,795	34,774
SECONDARY			
Regular classes		11,308	11,173
Continuation education		1,056	1,009
Opportunity schools		82	80
Home and hospital		19	21
Special education		672	674
Total Secondary		13,137	12,957
Total K-12		47,932	47,731

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2012

Grade Level	1982-83	Reduced	1986-87	Reduced	2011-12	Number of Days		Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	Multitrack	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	Calendar	
Kindergarten	31,680	29,568	36,000	33,600	35,000	175	175	Complied
Grades 1 - 3								
Grade 1	46,320	43,232	50,400	47,040	52,625	175	175	Complied
Grade 2	46,320	43,232	50,400	47,040	52,625	175	175	Complied
Grade 3	46,320	43,232	50,400	47,040	52,625	175	175	Complied
Grades 4 - 6								
Grade 4	46,320	43,232	54,000	50,400	52,625	175	175	Complied
Grade 5	46,320	43,232	54,000	50,400	52,625	175	175	Complied
Grade 6	46,320	43,232	54,000	50,400	59,338	175	175	Complied
Grades 7 - 8								
Grade 7	60,720	56,672	54,000	50,400	59,338	175	175	Complied
Grade 8	60,720	56,672	54,000	50,400	59,338	175	175	Complied
Grades 9 - 12								
Grade 9	57,510	53,676	64,800	60,480	63,406	175	-	Complied
Grade 10	57,510	53,676	64,800	60,480	63,406	175	-	Complied
Grade 11	57,510	53,676	64,800	60,480	63,406	175	-	Complied
Grade 12	57,510	53,676	64,800	60,480	63,406	175	-	Complied

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2012, Unaudited Actuals	\$ 60,639,883
Increase in:	
Accounts receivable	<u>1,863,623</u>
Balance, June 30, 2012, Audited Financial Statement	<u><u>\$ 62,503,506</u></u>
	<u>Capital Project Fund for Blended Component Units</u>
FUND BALANCE	
Balance, June 30, 2012, Unaudited Actuals	\$ 46,190,580
Decrease in:	
Accounts payables	<u>3,669,375</u>
Balance, June 30, 2012, Audited Financial Statement	<u><u>\$ 49,859,955</u></u>

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

	(Budget) ¹			
	2013	2012	2011	2010
GENERAL FUND				
Revenues and other sources	\$ 455,107,234	\$ 488,643,750	\$ 477,485,854	\$ 493,261,707
Expenditures	(478,809,095)	(479,598,203)	(489,054,660)	(508,021,842)
Other uses and transfers out	(190,950)	(626,113)	(446,150)	-
Total Expenditures and Other Uses	(479,000,045)	(480,224,316)	(489,500,810)	(508,021,842)
INCREASE (DECREASE) IN FUND BALANCE	\$ (23,892,811)	\$ 8,419,434	\$ (12,014,956)	\$ (14,760,135)
ENDING FUND BALANCE	\$ 38,610,695	\$ 62,503,506	\$ 54,084,072	\$ 66,099,028
AVAILABLE RESERVES ²	\$ 9,560,000	\$ 9,400,000	\$ 9,600,000	\$ 9,953,987
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	2.0%	2.0%	2.0%	2.0%
LONG-TERM OBLIGATIONS	N/A	\$ 293,542,185	\$ 280,817,621	\$ 210,821,445
K-12 AVERAGE DAILY ATTENDANCE AT P-2	47,315	47,932	48,143	48,425

The General Fund balance has decreased by \$3,595,522 over the past two years. The fiscal year 2012-2013 budget projects a further decrease of \$23,892,811 (38.2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2012-2013 fiscal year. Total long-term obligations have increased by \$82,720,740 over the past two years.

Average daily attendance has decreased by 493 over the past two years. An additional decline of 617 ADA is anticipated during fiscal year 2012-2013.

¹ Budget 2013 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$11,849,812, \$9,940,181, and \$10,415,519, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2012, 2011, and 2010, respectively.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2012

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
PAL Academy (0335)	No
ASA Charter (0677)	No
Public Safety Academy (0731)	No
Casa Ramona Academy (0897)	No
SOAR Charter Academy (0982)	No
Options for Youth (1132)	No
New Vision Middle (1089)	No
Crown Ridge Academy (1134)	No
Hardy Brown College Prep (1155)	No
Excel Prep Charter (1153)	No
Carden Virtual Academy (1222)	No

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2012

	Adult Education Fund	Child Development Fund	Building Fund
ASSETS			
Deposits and investments	\$ 632,273	\$ 1,002,232	\$ 34,741,298
Receivables	364,733	47,054	221,445
Due from other funds	27	541,734	3,215,742
Total Assets	\$ 997,033	\$ 1,591,020	\$ 38,178,485
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 34,735	\$ 847,280	\$ 848,373
Due to other funds	77,105	281,524	13,514
Deferred revenue	848,885	6,624	-
Total Liabilities	960,725	1,135,428	861,887
Fund Balances:			
Restricted	27	453,962	37,316,598
Assigned	36,281	1,630	-
Total Fund Balances	36,308	455,592	37,316,598
Total Liabilities and Fund Balances	\$ 997,033	\$ 1,591,020	\$ 38,178,485

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
\$ 5,112,954	\$ 917,575	\$ 11,620,239	\$ 54,026,571
66,073	1,643	-	700,948
10,523,461	130,522	-	14,411,486
<u>\$ 15,702,488</u>	<u>\$ 1,049,740</u>	<u>\$ 11,620,239</u>	<u>\$ 69,139,005</u>
\$ 21,013	\$ -	\$ -	\$ 1,751,401
198,252	8,065	-	578,460
-	-	-	855,509
<u>219,265</u>	<u>8,065</u>	<u>-</u>	<u>3,185,370</u>
15,483,223	-	11,620,239	64,874,049
-	1,041,675	-	1,079,586
<u>15,483,223</u>	<u>1,041,675</u>	<u>11,620,239</u>	<u>65,953,635</u>
<u>\$ 15,702,488</u>	<u>\$ 1,049,740</u>	<u>\$ 11,620,239</u>	<u>\$ 69,139,005</u>

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2012

	Adult Education Fund	Child Development Fund	Building Fund
REVENUES			
Federal sources	\$ 649,949	\$ 774,020	\$ -
Other State sources	9,000	6,621,244	-
Other local sources	413,032	232,544	177,640
Total Revenues	1,071,981	7,627,808	177,640
EXPENDITURES			
Current			
Instruction	1,050,779	-	-
Instruction-related activities:			
Supervision of instruction	-	163,979	-
School site administration	-	245,396	-
Pupil services:			
All other pupil services	-	29,193	-
Administration:			
All other administration	11,818	254,877	-
Plant services	-	223,971	-
Facility acquisition and construction	-	6,115	1,146,337
Community services	-	6,561,872	-
Debt service			
Principal	-	185,250	-
Interest and other	-	-	10,168
Total Expenditures	1,062,597	7,670,653	1,156,505
Excess (Deficiency) of			
Revenues Over Expenditures	9,384	(42,845)	(978,865)
Other Financing Sources (Uses)			
Transfers in	-	474,422	2,456,373
Transfers out	(90,000)	-	(2,100,239)
Net Financing Sources (Uses)	(90,000)	474,422	356,134
NET CHANGE IN FUND BALANCES	(80,616)	431,577	(622,731)
Fund Balances - Beginning	116,924	24,015	37,939,329
Fund Balances - Ending	\$ 36,308	\$ 455,592	\$ 37,316,598

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,423,969
-	-	168,460	-	6,798,704
2,223,080	473,237	10,731,319	149	14,251,001
2,223,080	473,237	10,899,779	149	22,473,674
-	-	-	-	1,050,779
-	-	-	-	163,979
-	-	-	-	245,396
-	-	-	-	29,193
-	-	-	-	266,695
-	-	-	-	223,971
482,828	75,356	-	-	1,710,636
-	-	-	-	6,561,872
-	-	4,345,000	-	4,530,250
-	-	6,187,175	-	6,197,343
482,828	75,356	10,532,175	-	20,980,114
1,740,252	397,881	367,604	149	1,493,560
20,340	344,345	21,960	-	3,317,440
(198,148)	(220,053)	-	(56,216)	(2,664,656)
(177,808)	124,292	21,960	(56,216)	652,784
1,562,444	522,173	389,564	(56,067)	2,146,344
13,920,779	519,502	11,230,675	56,067	63,807,291
\$ 15,483,223	\$ 1,041,675	\$ 11,620,239	\$ -	\$ 65,953,635

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

(Amounts in thousands)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 77,123	15.8	\$ 71,954	15.1	\$ 77,137	16.0
State and local revenue included in revenue limit	256,502	52.5	255,184	53.5	247,236	51.2
Other State revenue	144,808	29.6	141,375	29.6	148,646	30.7
Other local revenue	9,983	2.1	8,257	1.8	9,956	2.1
Total Revenues	488,416	100.0	476,770	100.0	482,975	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	222,234	45.5	235,799	49.5	247,128	51.2
Classified salaries	66,277	13.6	67,046	14.0	71,530	14.8
Employee benefits	99,874	20.4	96,229	20.2	96,665	20.0
Total Salaries and Benefits	388,385	79.5	399,074	83.7	415,323	86.0
Books and supplies	22,929	4.7	22,558	4.7	20,453	4.2
Contracts and operating expenses	65,502	13.4	63,444	13.3	69,621	14.4
Capital outlay	3,928	0.8	5,200	1.1	3,746	0.8
Other outgo	(1,146)	(0.2)	(1,222)	(0.3)	(1,122)	(0.2)
Total Expenditures	479,598	98.2	489,054	102.5	508,021	105.2
EXCESS OF REVENUES UNDER EXPENDITURES	8,818	1.8	(12,284)	(2.5)	(25,046)	(5.2)
OTHER FINANCING USES						
Operating transfers in	228	0.0	715	0.1	10,286	2.1
Operating transfers out	(626)	(0.1)	(446)	(0.1)	-	0.0
Total Other Financing Uses	(398)	(0.1)	269	-	10,286	2.1
INCREASE (DECREASE) IN FUND BALANCE	8,420	1.7	(12,015)	(2.5)	(14,760)	(3.1)
FUND BALANCE, BEGINNING	54,084		66,099		80,859	
FUND BALANCE, ENDING	\$ 62,504		\$ 54,084		\$ 66,099	
ENDING FUND BALANCE TO TOTAL REVENUES		12.8		11.3		15.2

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

CAFETERIA FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2012

(Dollar amounts in thousands)

	Actual Results for the Years					
	2011-2012		2010-2011		2009-2010	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal programs	\$ 24,912	87.5	\$ 24,690	85.8	\$ 24,259	84.6
State meal program	1,990	7.0	1,970	6.8	1,842	6.4
Food sales	1,577	5.5	2,114	7.4	2,607	9.0
Other	13	0.0	2	0.0	(18)	(0.0)
Total Revenues	28,492	100.0	28,776	100.0	28,690	100.0
EXPENDITURES						
Salaries and employee benefits	10,485	36.8	10,893	37.9	11,094	38.7
Food	14,581	51.2	13,890	48.3	12,590	43.9
Supplies	776	2.7	1,160	4.0	394	1.4
Other	3,063	10.7	2,432	8.4	1,660	5.8
Total Expenditures	28,905	101.4	28,375	98.6	25,738	89.8
INCREASE IN NET ASSETS	(413)	(1.4)	401	1.4	2,952	10.2
NETS ASSETS, BEGINNING	22,766		22,365		19,413	
NET ASSETS, ENDING	\$ 22,353		\$ 22,766		\$ 22,365	
ENDING NET ASSETS TO TOTAL REVENUES		78.5		79.1		81.3

* * * * *

TYPE 'A' LUNCH/BREAKFAST PARTICIPATION

	2011-2012		2010-2011		2009-2010	
	Amount	Percent	Amount	Percent	Amount	Percent
TYPE 'A' LUNCHES						
Paid	337,328	5.0	409,009	6.0	428,719	6.2
Reduced price	611,292	9.2	630,728	9.2	849,812	12.4
Free	5,718,704	85.8	5,807,190	84.8	5,586,917	81.4
Total Lunches	6,667,324	100.0	6,846,927	100.0	6,865,448	100.0
BREAKFAST						
Paid	87,932	3.2	106,550	4.0	105,397	4.0
Reduced price	231,875	8.3	230,649	8.5	311,850	11.6
Free	2,460,896	88.5	2,355,835	87.5	2,265,345	84.4
Total Breakfast	2,780,703	100.0	2,693,034	100.0	2,682,592	100.0

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and ARRA-State Fiscal Stabilization funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. Additionally, the District received Qualified School Construction Bonds - Interest Subsidy funds which are not required to be reported on the Schedule of Expenditure Awards.

Description	Federal CFDA	
	Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Revenues, Expenses and Changes in Net Assets:		\$ 105,848,980
Medi-Cal Billing Option	93.778	64,949
ARRA-State Fiscal Stabilization Fund	84.394	2,278,399
Qualified School Construction Bonds - Interest Subsidy	[1]	(2,390,015)
Total Schedule of Expenditures of Federal Awards		<u>\$ 105,802,313</u>

[1] CFDA number not available

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2012

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School and whether or not the Charter School is included in the District audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

General Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

Cafeteria Fund Selected Financial Information

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria fund for the past three years.

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INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' 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
San Bernardino City Unified School District
San Bernardino, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Bernardino City Unified School District as of and for the year ended June 30, 2012, which collectively comprise San Bernardino City Unified School District's basic financial statements and have issued our report thereon dated December 14, 2012. 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.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

Internal Control Over Financial Reporting

Management of San Bernardino City Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered San Bernardino City Unified School District's internal control over financial reporting as a basis for designing our auditing procedures 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 San Bernardino City Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Bernardino City Unified School District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Bernardino City Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 in a separate letter dated December 14, 2012.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VADREK, TRINE, DAY + CO. LLP.

Rancho Cucamonga, California
December 14, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board
San Bernardino City Unified School District
San Bernardino, California

Compliance

We have audited San Bernardino City Unified School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Bernardino City Unified School District's major Federal programs for the year ended June 30, 2012. San Bernardino City Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of San Bernardino City Unified School District's management. Our responsibility is to express an opinion on San Bernardino City Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Bernardino City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Bernardino City Unified School District's compliance with those requirements.

In our opinion, San Bernardino City Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of San Bernardino City Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered San Bernardino City Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Bernardino City Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

VAJRAK, TRINE, DIA + CO. LLP

Rancho Cucamonga, California
December 14, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
San Bernardino City Unified School District
San Bernardino, California

We have audited San Bernardino City Unified School District's compliance with the requirements as identified in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, applicable to San Bernardino City Unified School District's government programs as noted below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of San Bernardino City Unified School District's management. Our responsibility is to express an opinion on San Bernardino City Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-2012*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about San Bernardino City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of San Bernardino City Unified School District's compliance with those requirements.

In our opinion, San Bernardino City Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2012.

In connection with the audit referred to above, we selected and tested transactions and records to determine the San Bernardino City Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten continuance	3	Yes
Independent study	23	Yes
Continuation education	10	Yes
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable

	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (including in charter schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Districts or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Charter Schools:		
Contemporaneous records of attendance	3	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	4	Not applicable

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VAORNEK, TRINE. DAY + CO. LLP

Rancho Cucamonga, California
December 14, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.377 and 84.388 (ARRA)</u>	<u>Title I, School Improvement Grant for QEIA Schools (includes ARRA)</u>
<u>84.394 (ARRA)</u>	<u>ARRA State Fiscal Stabilization Fund</u>
<u>84.410</u>	<u>Education Jobs Fund</u>
<u>10.553, 10.555, 10.556, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,174,069</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unqualified</u>
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SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no audit findings reported in the prior year's schedule of financial statement findings.

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Governing Board
San Bernardino City Unified School District
San Bernardino, California

In planning and performing our audit of the financial statements of San Bernardino City Unified School District for the year ended June 30, 2012, 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 December 14, 2012, on the financial statements of San Bernardino City Unified School District.

ASSOCIATED STUDENT BODY (ASB)

Barton Elementary School

Observations

1. During our review of the ASB procedures over cash receipts, the auditor noted that deposits selected for testing for the sample month were not made in a timely manner. The delay in deposits ranged up to 23 days from the date of initial cash receipts.
2. A master ticket log is not being utilized to account for all tickets on hand and used during the year. Site does not log all ticket rolls on the master ticket log.

Recommendations

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. The site should log all ticket roll inventory, even if the rolls are not in use. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log.

Governing Board
San Bernardino City Unified School District

Kimbark Elementary School

Observation

The following observation were made during our review of the site's ASB procedures:

The site does not maintain an inventory of the T-shirts purchased or sold, therefore no accountability exists for the inventory. More importantly, there is a lack of sales reconciliation taking place related to T-shirt sales.

Recommendation

According to the policies and procedures outlined in the *ASB Accounting Manual*, prepared by the Fiscal Crisis and Management Assistance Team (FCMAT), a physical inventory should be taken quarterly under supervision of the Vice Principal or Principal. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the Associated Student Body of the site.

Serrano Middle School

Observation

During our review of the ASB procedures over cash receipts, the auditor noted that deposits selected for testing for the sample month were not made in a timely manner. The delay in deposits ranged up to 11 days from the date of initial cash receipts.

Recommendation

At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

Arroyo Valley High School

Observation

During our review of sample disbursements, the auditor noted that not all disbursements were accompanied by receiving documentation indicating all items were ordered prior to issuing payment. Additionally, sample disbursements reviewed lacked pre-approval from the ASB of prior transactions taking place.

Recommendation

All goods ordered should be documented with receiving documentation indicating the date that goods were received and documentation regarding whether or not all goods have been received and undamaged. Payments for invoices should only be made once the receiving documentation is present. Additionally, all ASB transactions should be pre-approved to ensure the following:

- Scope of disbursement activity is appropriate for the ASB.
- Sufficient funds are available to prevent deficit spending.

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

VAREK, TRUS. Ry + co. UP

Rancho Cucamonga, California
December 14, 2012

