San Bernardino City Unified School District

Annual Financial Report

June 30, 2017

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 78, schedule of other postemployment benefits funding progress on page 79, schedule of the District's proportionate share of net pension liability on page 80, and the schedule of District contributions on page 81, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Bernardino City Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the San Bernardino City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Bernardino City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Bernardino City Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2017

Dale Marsden, Ed.D.
Superintendent

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, 2017, with comparative information for the year ending June 30, 2016. 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.

BUSINESS SERVICES DIVISION
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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 Position* 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.

The two District-wide financial statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and deferred inflows of resources, and liabilities and deferred outflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position 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.
- 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 Position

The District's *combined* net position was less than they were the year before - decreasing 0.23 percent or $1,110,677. Most of this decrease in the District's financial position came from its governmental activities, the net position of which decreased by $1,660,327 to $481,335,247. The net position of the District's business-type activities increased by $549,650 to $10,422,651.

Table A-1

	Governmental Activities		Business-Type Activities		School District Activities	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 340,173,822	$ 340,927,293	$ 16,462,742	$ 14,544,108	$ 356,636,564	$ 355,471,401
Capital assets	982,927,479	988,771,969	3,612,077	4,391,664	986,539,556	993,163,633
Total Assets	**1,323,101,301**	**1,329,699,262**	**20,074,819**	**18,935,772**	**1,343,176,120**	**1,348,635,034**
Deferred Outflows of Resources	**147,228,914**	**127,126,875**	**4,676,600**	**3,150,588**	**151,905,514**	**130,277,463**
Liabilities						
Current liabilities	81,591,123	94,080,065	655,583	342,009	82,246,706	94,422,074
Long-term obligations	355,050,676	355,507,537	-	-	355,050,676	355,507,537
Aggregate net pension liability	534,174,941	432,492,830	12,902,419	8,958,151	547,077,360	441,450,981
Total Liabilities	**970,816,740**	**882,080,432**	**13,558,002**	**9,300,160**	**984,374,742**	**891,380,592**
Deferred Inflows of Resources	**18,178,228**	**91,750,131**	**770,766**	**2,913,199**	**18,948,994**	**94,663,330**
Net Position						
Net investment in capital assets	763,941,674	764,017,310	3,612,077	4,391,664	767,553,751	768,408,974
Restricted	122,604,675	120,304,431	6,810,574	5,481,337	129,415,249	125,785,768
Unrestricted	(405,211,102)	(401,326,167)	-	-	(405,211,102)	(401,326,167)
Total Net Position	**$ 481,335,247**	**$ 482,995,574**	**$ 10,422,651**	**$ 9,873,001**	**$ 491,757,898**	**$ 492,868,575**

Changes in Net Position

The District's total revenues increased by $30,275,336 (see Table A-2). State and Federal aid for specific programs contributed about 21.0 cents of every dollar raised. Another 75.1 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

	Governmental Activities		Business-Type Activities		School District Activities	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 12,212,728	$ 886,790	$ 1,398,048	$ 1,619,417	$ 13,610,776	$ 2,506,207
Operating grants and contributions	121,000,239	119,029,512	30,267,889	28,884,878	151,268,128	147,914,390
Capital grants and contributions	(169,763)	(156,639)	-	-	(169,763)	(156,639)
General revenues:						
Federal and State unrestricted	481,572,513	478,320,960	-	-	481,572,513	478,320,960
Property taxes	59,389,428	50,462,495	-	-	59,389,428	50,462,495
Other general revenues	14,661,444	11,274,600	272,215	7,392	14,933,659	11,281,992
Total Revenues	**688,666,589**	**659,817,718**	**31,938,152**	**30,511,687**	**720,604,741**	**690,329,405**
Expenses						
Instruction-related	501,186,123	467,136,515	-	-	501,186,123	467,136,515
Pupil services	68,334,826	62,870,077	-	-	68,334,826	62,870,077
Administration	28,807,808	26,551,183	-	-	28,807,808	26,551,183
Plant services	67,319,415	32,233,009	-	-	67,319,415	32,233,009
Other	24,678,744	22,669,294	31,388,502	29,898,707	56,067,246	52,568,001
Total Expenses	**690,326,916**	**611,460,078**	**31,388,502**	**29,898,707**	**721,715,418**	**641,358,785**
Change in Net Position	**$ (1,660,327)**	**$ 48,357,640**	**$ 549,650**	**$ 612,980**	**$ (1,110,677)**	**$ 48,970,620**

The total cost of all programs and services increased by $80,356,633. The District's expenses are predominantly related to educating and caring for students (78.9 percent). The purely administrative activities of the District accounted for just 4.0 percent of total costs.

Total expenses were more than revenues, decreasing net position by $1,110,677 over last year. The governmental activities contributed to the District's decrease in net position.

Governmental Activities

Revenues for the District's governmental activities were $688,666,589, whereas total expenses were $690,326,916. The decrease in net position for governmental activities occurred due to an overall increase in expenses.

- Some of the District's activities ($12,212,728) 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 ($120,830,476). See Table A-2.

Business-Type Activities

Revenues of the District's business-type activities were $31,938,152, and expenses were $31,388,502. (Refer to Table A-2)

Net Cost of Services

Table A-3 presents the costs of major District governmental activities: instruction, instruction-related activities, other pupil services (guidance, counseling, and evaluation), general administration, plant services, 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 ($557,283,712) million were financed by District taxpayers and the taxpayers of our State.
- This portion of governmental activities was financed with $59,389,428 in property taxes, and $481,572,513 of unrestricted State and Federal aid based on the State-wide education aid formula. See Table A-2.

Table A-3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 415,611,394	$ 392,826,765	$ 328,992,963	$ 315,129,582
Instruction-related activities	85,574,729	74,309,750	65,947,583	57,506,302
Pupil services	68,334,826	62,870,077	57,426,808	53,752,454
Administration	28,807,808	26,551,183	24,973,381	22,046,901
Plant services	67,319,415	32,233,009	66,448,381	31,228,569
Other	24,678,744	22,669,294	13,494,596	12,036,607
Total	**$ 690,326,916**	**$ 611,460,078**	**$ 557,283,712**	**$ 491,700,415**

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 $211,805,048, an increase of 2.1 percent from the previous year.

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

The District's General Fund increased in fund balance by $21,653,738. The District continues to meet the State required two percent fund balance reserve for Economic Uncertainties.

Table A-4

	Balances and Activity			
	July 1, 2016	Revenues	Expenditures	June 30, 2017
General Fund	$ 83,089,447	$ 648,250,038	$ 626,596,300	$ 104,743,185
Building Fund	53,442,458	3,623,394	16,980,797	40,085,055
County School Facilities Fund	34,769,073	(140,899)	4,334,197	30,293,977
Adult Education Fund	274,432	9,664,947	9,021,083	918,296
Child Development Fund	1,488,371	8,505,599	9,975,036	18,934
Capital Facilities Fund	13,306,276	6,047,967	3,906,917	15,447,326
Special Reserve Fund for Capital Outlay Projects	1,553,228	3,209,510	1,424,271	3,338,467
Capital Projects Fund for Blended Component Units	29	341	306	64
Bond Interest and Redemption	19,622,845	13,074,509	15,737,610	16,959,744
Total	**$ 207,546,159**	**$ 692,235,406**	**$ 687,976,517**	**$ 211,805,048**

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 revenues would exceed expenditures by $13,544,969 and the actual results for the year show revenues exceeding expenditures by $22,809,670.

- Actual revenues were $12,127,444 higher than expected, due primarily to higher State sources.
- The actual expenditures were $2,862,743 over budget, due primarily to on behalf payments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017, the District had invested $986,539,556 in a broad range of capital assets, including school facilities and equipment. Total depreciation expense for the year was $30,642,786. (More detailed information about capital assets can be found in Note 5 to the financial statements.)

Table A-5

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and construction in process	$ 53,477,150	$ 60,066,213	$ -	$ -	$ 53,477,150	$ 60,066,213
Buildings and improvements	915,372,233	916,130,472	2,928,922	3,372,310	918,301,155	919,502,782
Equipment	14,078,096	12,575,284	683,155	1,019,354	14,761,251	13,594,638
Total	**$ 982,927,479**	**$ 988,771,969**	**$ 3,612,077**	**$ 4,391,664**	**$ 986,539,556**	**$ 993,163,633**

Long-Term Obligations

At year-end, the District had $355,050,677 in long-term obligations decreasing last year's balance by $456,860.

Table A-6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	$ 251,137,619	$ 256,329,520
Certificates of participation	53,080,000	53,080,000
Discount on issuance	(346,175)	(386,119)
Capital lease obligations	262,805	367,746
Accumulated vacation	3,151,648	2,056,718
Claims liability	21,741,424	17,062,244
SELF assessment	1,807,966	2,109,282
Supplemental early retirement plan (SERP)	-	3,012,235
Other postemployment benefits (OPEB)	24,215,390	21,875,911
Total	**$ 355,050,677**	**$ 355,507,537**

More detailed information about the District's long-term obligations is presented in Note 9 to the financial statements.

Net Pension Liability - NPL

At year-end, the District had a net pension liability of $534,174,941 in governmental activities and $12,902,419 in business-type activities. The District has also recorded its proportionate share of the related deferred inflows and outflows. See Note 14 for additional information about the net pension liability.

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. Since the Local Control Funding Formula is based on an improved or lack of growth in the economy of the State of California, any volatility in revenues will impact the District's financial condition.
2. The District anticipates that its enrollment or Average Daily Attendance (1 percent decrease in 2016-2017) will decline during fiscal year 2017-2018.
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 POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 315,840,711	$ 10,744,125	$ 326,584,836
Receivables	21,906,547	6,854,047	28,760,594
Internal balances	1,878,950	(1,878,950)	-
Prepaid expenses	436,486	-	436,486
Stores inventories	111,128	743,520	854,648
Capital assets			
Land and construction in process	53,477,150	-	53,477,150
Other capital assets	1,186,194,262	16,469,837	1,202,664,099
Less: Accumulated depreciation	(256,743,933)	(12,857,760)	(269,601,693)
Total Capital Assets	982,927,479	3,612,077	986,539,556
Total Assets	1,323,101,301	20,074,819	1,343,176,120
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	6,827,822	-	6,827,822
Deferred outflows of resources related to pensions	140,401,092	4,676,600	145,077,692
Total Deferred Outflows of Resources	147,228,914	4,676,600	151,905,514
LIABILITIES			
Accounts payable	69,303,611	610,855	69,914,466
Accrued interest payable	5,094,142	-	5,094,142
Unearned revenue	7,193,370	44,728	7,238,098
Long-term obligations:			
Current portion of long-term obligations other than pensions	11,557,893	-	11,557,893
Noncurrent portion of long-term obligations other than pensions	343,492,783	-	343,492,783
Total Long-Term Obligations	355,050,676	-	355,050,676
Aggregate net pension liability	534,174,941	12,902,419	547,077,360
Total Liabilities	970,816,740	13,558,002	984,374,742
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	18,178,228	770,766	18,948,994
NET POSITION			
Net investment in capital assets	763,941,674	3,612,077	767,553,751
Restricted for:			
Debt service	11,865,602	-	11,865,602
Capital projects	45,741,303	-	45,741,303
Educational programs	35,880,352	-	35,880,352
Other activities	29,117,418	6,810,574	35,927,992
Unrestricted	(405,211,102)	-	(405,211,102)
Total Net Position	$ 481,335,247	$ 10,422,651	$ 491,757,898

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Instruction	$ 415,611,394	$ 4,787,981	$ 82,000,213	$ (169,763)
Instruction-related activities:				
Supervision of instruction	30,966,386	90,567	11,348,331	-
Instructional library, media, and technology	3,669,807	-	307,973	-
School site administration	50,938,536	2,222,264	5,658,011	-
Pupil services:				
Home-to-school transportation	22,376,081	-	-	-
Food services	336,835	-	-	-
All other pupil services	45,621,910	567,888	10,340,130	-
Administration:				
Data processing	7,476,039	-	1,623	-
All other administration	21,331,769	364,715	3,468,089	-
Plant services	67,319,415	657,750	213,284	-
Community services	10,052,133	258,739	6,754,405	-
Enterprise services	(1,874,635)	-	-	-
Interest on long-term obligations	16,070,768	-	-	-
Other outgo	430,478	3,262,824	908,180	-
Total Governmental Activities	690,326,916	12,212,728	121,000,239	(169,763)
Business-Type Activities				
Food services	31,388,502	1,398,048	30,267,889	-
Total School District	$ 721,715,418	$ 13,610,776	$ 151,268,128	$ (169,763)

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

Interagency revenues

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (328,992,963)	$ -	$ (328,992,963)
(19,527,488)	-	(19,527,488)
(3,361,834)	-	(3,361,834)
(43,058,261)	-	(43,058,261)
(22,376,081)	-	(22,376,081)
(336,835)	-	(336,835)
(34,713,892)	-	(34,713,892)
(7,474,416)	-	(7,474,416)
(17,498,965)	-	(17,498,965)
(66,448,381)	-	(66,448,381)
(3,038,989)	-	(3,038,989)
1,874,635	-	1,874,635
(16,070,768)	-	(16,070,768)
3,740,526	-	3,740,526
(557,283,712)	-	(557,283,712)
-	277,435	277,435
(557,283,712)	277,435	(557,006,277)
41,281,285	-	41,281,285
12,797,626	-	12,797,626
5,310,517	-	5,310,517
481,572,513	-	481,572,513
1,447,342	46,382	1,493,724
410,704	-	410,704
12,803,398	225,833	13,029,231
555,623,385	272,215	555,895,600
(1,660,327)	549,650	(1,110,677)
482,995,574	9,873,001	492,868,575
$ 481,335,247	$ 10,422,651	$ 491,757,898

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	County Schools Facilities Fund
ASSETS			
Deposits and investments	$ 152,682,179	$ 44,843,606	$ 30,205,108
Receivables	18,849,326	147,707	88,869
Due from other funds	3,149,280	3,708	-
Prepaid expenditures	434,787	-	-
Stores inventories	111,128	-	-
Total Assets	$ 175,226,700	$ 44,995,021	$ 30,293,977
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 61,584,857	$ 4,895,364	$ -
Due to other funds	1,872,663	14,602	-
Unearned revenue	7,025,995	-	-
Total Liabilities	70,483,515	4,909,966	-
Fund Balances:			
Nonspendable	756,915	-	-
Restricted	35,880,352	40,085,055	30,293,977
Assigned	37,613,698	-	-
Unassigned	30,492,220	-	-
Total Fund Balances	104,743,185	40,085,055	30,293,977
Total Liabilities and Fund Balances	$ 175,226,700	$ 44,995,021	$ 30,293,977

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

Non-Major Governmental Funds	Total Governmental Funds
$ 37,104,048	$ 264,834,941
2,684,668	21,770,570
756,898	3,909,886
1,699	436,486
-	111,128
$ 40,547,313	$ 291,063,011
$ 2,408,624	$ 68,888,845
1,288,483	3,175,748
167,375	7,193,370
3,864,482	79,257,963
1,699	758,614
33,202,149	139,461,533
3,478,983	41,092,681
-	30,492,220
36,682,831	211,805,048
$ 40,547,313	$ 291,063,011

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 211,805,048**
Amounts Reported for Governmental Activities in the Statement of Net Position 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:	$ 1,239,671,412	
Accumulated depreciation is:	(256,743,933)	
Net Capital Assets		982,927,479
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, 2017.		6,827,822
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.		28,322,403
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.		(5,094,142)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	45,904,510	
Net change in proportionate share of net pension liability	36,721,042	
Difference between projected and actual earnings on pension plan investments	52,579,192	
Difference between expected and actual experience in the meansurement of the total pension liability	5,196,348	
Total Deferred Outflows of Resources Related to Pensions		140,401,092
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(4,237,516)	
Difference between expected and actual experience in the meansurement of the total pension liability	(10,058,288)	
Changes in assumptions	(3,882,424)	
Total Deferred Inflows of Resources Related to Pensions		(18,178,228)

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2017

Net pension liability is not due and payable in the current period, and is not reported as a liability in the fund.			$	(534,174,941)
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	$	204,515,883		
Unamortized premium on issuance		18,943,054		
Certificates of participation		53,080,000		
Unamortized discount on issuance		(346,175)		
Capital lease obligations		262,805		
Compensated absences (vacations)		3,151,648		
Other postemployment benefits (OPEB)		24,215,390		
In addition, the District issues "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bond to date is:		27,678,681		
Total Long-Term Obligations				(331,501,286)
Total Net Position - Governmental Activities			**$**	**481,335,247**

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, 2017

	General Fund	Building Fund	County Schools Facilities Fund
REVENUES			
Local Control Funding Formula	$ 502,148,915	$ -	$ -
Federal sources	49,453,277	2,610,644	-
Other State sources	83,450,621	-	(449,572)
Other local sources	13,197,225	441,765	280,393
Total Revenues	648,250,038	3,052,409	(169,179)
EXPENDITURES			
Current			
Instruction	376,599,095	-	-
Instruction-related activities:			
Supervision of instruction	30,032,268	-	-
Instructional library, media, and technology	3,596,649	-	-
School site administration	47,434,197	-	-
Pupil services:			
Home-to-school transportation	22,350,969	-	-
Food services	53,611	-	-
All other pupil services	45,520,927	-	-
Administration:			
Data processing	7,402,365	-	-
All other administration	21,571,221	-	-
Plant services	64,469,172	-	-
Facility acquisition and construction	4,573,394	12,519,491	235,005
Community services	1,287,536	-	-
Other outgo	430,478	-	-
Debt service			
Principal	104,941	-	-
Interest and other	13,545	4,437,616	-
Total Expenditures	625,440,368	16,957,107	235,005
Deficiency of Revenues Over Expenditures	22,809,670	(13,904,698)	(404,184)
Other Financing Sources (Uses)			
Transfers in	-	570,985	28,280
Transfers out	(1,155,932)	(23,690)	(4,099,192)
Net Financing Sources (Uses)	(1,155,932)	547,295	(4,070,912)
NET CHANGE IN FUND BALANCES	21,653,738	(13,357,403)	(4,475,096)
Fund Balances - Beginning	83,089,447	53,442,458	34,769,073
Fund Balances - Ending	$ 104,743,185	$ 40,085,055	$ 30,293,977

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 502,148,915
1,681,638	53,745,559
15,464,361	98,465,410
18,616,808	32,536,191
35,762,807	686,896,075
5,357,640	381,956,735
420,237	30,452,505
-	3,596,649
2,585,042	50,019,239
-	22,350,969
-	53,611
348,666	45,869,593
-	7,402,365
781,507	22,352,728
876,897	65,346,069
5,288,153	22,616,043
8,608,648	9,896,184
-	430,478
7,610,000	7,714,941
8,127,916	12,579,077
40,004,706	682,637,186
(4,241,899)	4,258,889
4,740,066	5,339,331
(60,517)	(5,339,331)
4,679,549	-
437,650	4,258,889
36,245,181	207,546,159
$ 36,682,831	$ 211,805,048

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, 2017

Total Net Change in Fund Balances - Governmental Funds			**$**	**4,258,889**
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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.				
This is the amount by which depreciation exceeds capital outlays in the period.				
Depreciation expense	$	(29,855,135)		
Capital outlays		24,011,350		
Net Expense Adjustment				(5,843,785)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.				(705)
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 earned was more than the amounts used by $1,094,930. Additionally, payments for supplemental early incentive program amounted to $3,012,235.				1,917,305
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.				(7,382,794)
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.				(2,339,479)

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

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, 2017

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		$ 7,610,000
Capital lease obligations		104,941
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	$ 1,519,778	
Amortization of debt discount	(39,944)	
Amortization of deferred charges on refunding	(625,374)	
Combined Adjustment		854,460
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 $408,274, and second, $3,937,877 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(4,346,151)
An Internal Service Fund is used by the District's management to charge the costs of the workers compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		3,506,992
Change in Net Position of Governmental Activities		**$ (1,660,327)**

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 10,744,125	$ 51,005,770
Receivables	6,854,047	135,977
Due from other funds	-	1,147,045
Stores inventories	743,520	-
Total Current Assets	18,341,692	52,288,792
Noncurrent Assets		
Capital assets	16,469,837	-
Less: accumulated depreciation	(12,857,760)	-
Total Noncurrent Assets	3,612,077	-
Total Assets	21,953,769	52,288,792
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	4,676,600	-
LIABILITIES		
Current Liabilities		
Accounts payable	610,855	414,766
Due to other funds	1,878,950	2,233
Unearned revenue	44,728	-
Current portion of claims liability	-	3,492,111
Current portion of SELF assessment	-	301,316
Total Current Liabilities	2,534,533	4,210,426
Noncurrent Liabilities		
Noncurrent portion of claims liability and SELF assessment	-	19,755,963
Aggregate net pension liability	12,902,419	-
Total Noncurrent Liabilities	12,902,419	19,755,963
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	770,766	-
NET POSITION		
Net investment in capital assets	3,612,077	-
Restricted	6,810,574	28,322,403
Total Net Position	$ 10,422,651	$ 28,322,403

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Fund	Governmental Activities -
	Food Service	Internal Service Fund
OPERATING REVENUES		
Charges for services	$ 1,398,048	$ -
Charges to other funds and miscellaneous revenues	225,833	14,395,389
Total Operating Revenues	1,623,881	14,395,389
OPERATING EXPENSES		
Payroll costs	14,197,860	662,127
Professional and contract services	57,704	-
Supplies and materials	14,795,619	9,701
Facility rental	127,640	900
Other operating cost	1,422,028	10,582,715
Depreciation	787,651	-
Total Operating Expenses	31,388,502	11,255,443
Operating Income (Loss)	(29,764,621)	3,139,946
NONOPERATING REVENUES		
Interest income	46,382	367,046
Federal grants	28,328,873	-
State grants	1,939,016	-
Total Nonoperating Revenues	30,314,271	367,046
Change in Net Position	549,650	3,506,992
Total Net Position - Beginning, as restated	9,873,001	24,815,411
Total Net Position - Ending	$ 10,422,651	$ 28,322,403

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, 2017

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 755,239	$ -
Cash receipts from interfund services provided	-	14,208,911
Other operating cash receipts	225,833	(63,395)
Cash payments to other suppliers of goods or services	(14,519,746)	-
Cash payments to employees for services	(13,922,037)	(662,127)
Cash payments for insurance claims	-	(6,204,851)
Other operating cash payments	(1,549,668)	-
Net Cash Provided (Used) by Operating Activities	(29,010,379)	7,278,538
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	30,267,889	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(8,064)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	46,382	367,046
Net Increase in Cash and Cash Equivalents	1,295,828	7,645,584
Cash and Cash Equivalents - Beginning	9,448,297	43,360,186
Cash and Cash Equivalents - Ending	$ 10,744,125	$ 51,005,770
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (29,764,621)	$ 3,139,946
Adjustments to reconcile operating income (loss) to net cash provided (used) for operating activities:		
Depreciation	787,651	-
Changes in assets and liabilities:		
Receivables	(700,349)	(24,985)
Due from other fund	87,086	(185,874)
Inventories	81,194	-
Deferred outflows	(1,526,012)	-
Accounts payables	343,120	(27,809)
Due to other fund	(90,737)	(604)
Unearned revenue	(29,546)	-
Deferred inflows	(2,142,433)	-
Net pension liability	3,944,268	-
Claims liability and assessment	-	4,377,864
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (29,010,379)	$ 7,278,538

NONCASH, NONCAPITAL FINANCING ACTIVITIES

During the year, the District received $1,818,396 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 POSITION
JUNE 30, 2017

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 396,094	$ 1,521,732
Receivables	1,167	20,129
Stores inventories	-	114,073
Total Assets	397,261	$ 1,655,934
LIABILITIES		
Accounts payable	-	$ 48,240
Due to student groups	-	1,607,694
Total Liabilities	-	$ 1,655,934
NET POSITION		
Held in reserve for scholarships	397,261	
Total Net Position	$ 397,261	

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

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
JUNE 30, 2017

	Scholarship Trust
ADDITIONS	
Interest	$ 3,383
Change in Net Position	3,383
Net Position - Beginning	393,878
Net Position - Ending	$ 397,261

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

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-nine elementary schools, ten middle schools, a K-8 school, a middle college, six comprehensive high schools, one alternative education school, two continuation high schools, two community day schools, an adult education school, and three special education 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 (Charter Number 0335), Public Safety Academy (Charter Number 0731), ASA Charter (Charter Number 0677), Casa Ramona Academy (Charter Number 0897), Options for Youth - San Bernardino (Charter Number 1132), New Vision Middle (Charter Number 1089), , Center for Learning and Unlimited Educational Success(Charter Number 1574), Hardy Brown College Prep (Charter Number 1155), Excel Prep Charter (Charter Number 1153), SOAR Charter Academy (Charter Number 0982), Taft T. Newman Leadership Academy (Charter Number 1437), Ballington Academy for the Arts and Science – San Bernardino (1795), and Woodward Leadership Academy (Charter Number 1438) pursuant to *Education Code* Section 47605. The Charter Schools are operated independently and are not considered component units of the District.

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.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in revenues, expenditures, fund balance, and decrease in transfer out of $2,839, $1,996,312, $13,698, and $2,007,171, respectively.

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.

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 lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) 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.).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes 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.

Capital Project Funds The Capital Project funds are used to account for 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).

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).

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).

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 debt.

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).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and 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 goods or services 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, Other Post-Employment Benefits (OPEB) is accounted for within this fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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 excludes 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 position should be reported as restricted when constraints placed on net position 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 position restricted for other activities result from special revenue funds and the internal service fund, and the restrictions on their 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.

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 position. The statement of changes in fund net position 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.

Unearned Revenue Unearned 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 unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned 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, 2017, 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 the County investment pool 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.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial Statement of Net Position. 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 position, 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 Position. 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.

Debt 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 Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charges on the refunding of general obligation bonds, and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2017, 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.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets 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 position is 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 position is available. The government-wide financial statements report $122,604,675 of restricted net position, 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.

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.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) 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 Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus

- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$ 315,840,711
Business-type activities	10,744,125
Fiduciary funds	1,917,826
Total Deposits and Investments	$ 328,502,662

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 691,447
Cash in revolving	820,380
Investments	326,990,835
Total Deposits and Investments	$ 328,502,662

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.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the San Bernardino County Treasury Investment Pool 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.

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	Reported Amount	Average Maturity in Days
San Bernardino County Treasury Investment Pool	$ 313,967,562	341
Wells Fargo Advantage Cash Investment Money Market Funds	3,077,146	19
Wells Fargo Advantage Repurchase Agreement		
Overland Express Sweep Account	9,946,127	1
Total	$ 326,990,835	

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 is rated AAA/V1 by Fitch Ratings 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, 2017, the District's bank balance of $1,947,745 held by Bank of America was exposed to custodial credit risk because it was uninsured and collateralized by securities held by pledging financial institution's trust department or agent but not in the name of the District. The remaining bank balance of $1,171,980 held by other financial institutions was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Treasury Investment Pool is not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Uncategorized
San Bernardino County Treasury Investment Pool	$ 313,967,562	$ 313,967,562

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County Schools Facilities Fund	Non-Major Governmental Funds
Federal Government				
Categorical aid	$ 12,044,693	$ -	$ -	$ 375,746
State Government				
Categorical aid	957,008	-	-	1,145,751
Lottery	2,072,185	-	-	-
Special Education	1,525,186	-	-	-
Local Government				
Interest	401,856	143,878	88,869	101,242
Other Local Sources				
Other	1,848,398	3,829	-	1,061,929
Total	$ 18,849,326	$ 147,707	$ 88,869	$ 2,684,668

	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Federal Government				
Categorical aid	$ -	$ 12,420,439	$ 6,332,704	$ -
State Government				
Categorical aid	-	2,102,759	442,977	-
Lottery	-	2,072,185	-	-
Special Education	-	1,525,186	-	-
Local Government				
Interest	134,895	870,740	78,366	1,167
Other Local Sources				
Other	1,082	2,915,238	-	20,129
Total	$ 135,977	$ 21,906,547	$ 6,854,047	$ 21,296

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 32,151,833	$ -	$ -	$ 32,151,833
Construction in process	27,914,380	18,264,588	24,853,651	21,325,317
Total Capital Assets Not Being Depreciated	60,066,213	18,264,588	24,853,651	53,477,150
Capital Assets Being Depreciated				
Land improvements	49,540,927	3,786,591	-	53,327,518
Buildings and improvements	1,067,047,834	23,150,124	-	1,090,197,958
Furniture and equipment	39,595,930	3,663,698	590,842	42,668,786
Total Capital Assets Being Depreciated	1,156,184,691	30,600,413	590,842	1,186,194,262
Less Accumulated Depreciation				
Land improvements	35,949,790	1,235,190	-	37,184,980
Buildings and improvements	164,508,499	26,459,764	-	190,968,263
Furniture and equipment	27,020,646	2,160,181	590,137	28,590,690
Total Accumulated Depreciation	227,478,935	29,855,135	590,137	256,743,933
Governmental Activities Capital Assets, Net	$ 988,771,969	$ 19,009,866	$ 24,854,356	$ 982,927,479
Business-Type Activities				
Capital Assets Being Depreciated				
Buildings and improvements	$ 8,841,937	$ -	$ -	$ 8,841,937
Furniture and equipment	7,643,414	8,064	23,578	7,627,900
Total Capital Assets Being Depreciated	16,485,351	8,064	23,578	16,469,837
Less Accumulated Depreciation				
Buildings and improvements	5,469,627	443,388	-	5,913,015
Furniture and equipment	6,624,060	344,263	23,578	6,944,745
Total Accumulated Depreciation	12,093,687	787,651	23,578	12,857,760
Business-Type Activities Capital Assets, Net	$ 4,391,664	$ (779,587)	$ -	$ 3,612,077

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

Governmental Activities	
Instruction	$ 26,869,622
All other pupil services	597,103
All other general administration	298,551
Plant services	2,089,859
Total Depreciation Expenses Governmental Activities	29,855,135
Business-Type Activities	
Food services	787,651
Total Depreciation Expenses All Activities	$ 30,642,786

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds, enterprise funds, and internal service funds, are as follows:

	Due From					
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Food Service Enterprise Fund	Total
General Fund	$ -	$ 14,505	$ 1,253,592	$ 2,233	$ 1,878,950	$ 3,149,280
Building Fund	11	-	3,697	-	-	3,708
Non-Major Governmental Funds	756,898	-	-	-	-	756,898
Internal Service Fund	1,115,754	97	31,194	-	-	1,147,045
Total	$ 1,872,663	$ 14,602	$ 1,288,483	$ 2,233	$ 1,878,950	$ 5,056,931

The balance of $1,878,950 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 $857,782 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from payroll, indirect costs, benefits and other operating costs.

A balance of $395,810 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 $139,097 due to the Adult Education Non-Major Governmental Fund from the General Fund resulted from operating contributions.

A balance of $617,801 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from operating contributions.

The balance of $1,115,754 due to the Internal Service Fund from the General Fund was for worker's compensation and other postemployment benefit charges.

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, 2017, consisted of the following:

	Transfer From				
Transfer To	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Building Fund	$ 460,714	$ -	$ 55,458	$ 54,813	$ 570,985
County Schools Facilities Fund	1,175	21,401	-	5,704	28,280
Non-Major Governmental Funds	694,043	2,289	4,043,734	-	4,740,066
Total	$ 1,155,932	$ 23,690	$ 4,099,192	$ 60,517	$ 5,339,331

The General Fund transferred qualified capital outlay expenditures to the Buillding Fund.	$ 460,714
The General Fund transferred qualified capital outlay expenditures to the County School Facilities Fund.	1,175
The General Fund transferred to the Adult Education Non-Major Governmental Fund for an operating contribution.	77,421
The General Fund transferred to the Child Development Non-Major Governmental Fund for an operating contribution.	616,622
The Building Fund transferred qualified capital outlay expenditures to the following funds:	
County School Facilities Fund	21,401
Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund	2,289
The County Schools Facilities Fund transferred qualified capital outlay expenditures to the following funds:	
Building Fund	55,458
Capital Facilities Non-Major Governmental Fund	960,515
Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund	3,083,219
The Capital Facilities Non-Major Governmental Fund transferred qualified capital outlay expenditures to the following funds:	
Building Fund	54,658
County School Facilities Fund	5,704
The Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund transferred qualified capital outlay expenditures to the following funds:	
Building Fund	155
Total	$ 5,339,331

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	County Schools Facilities Fund	Non-Major Governmental Funds
Accrued salaries and benefits	$ 30,432,321	$ -	$ -	$ 895,224
LCFF apportionment	4,311,996	-	-	-
Books and supplies	7,268,550	-	-	185,053
Services and other operating	14,961,541	325,134	-	198,736
Construction	3,899,005	4,570,230	-	1,089,082
Other vendor payables	711,444	-	-	40,529
Total	$ 61,584,857	$ 4,895,364	$ -	$ 2,408,624

	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Accrued salaries and benefits	$ 4,020	$ 31,331,565	$ -	$ -
LCFF apportionment	-	4,311,996	-	-
Books and supplies	1,402	7,455,005	540,768	-
Services and other operating	408,980	15,894,391	70,087	-
Construction	-	9,558,317	-	-
Other vendor payables	364	752,337	-	48,240
Total	$ 414,766	$ 69,303,611	$ 610,855	$ 48,240

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund
Federal financial assistance	$ 115,996	$ -	$ 115,996	$ -
State categorical aid	6,577,332	29,626	6,606,958	-
Other local	332,667	137,749	470,416	44,728
Total	$ 7,025,995	$ 167,375	$ 7,193,370	$ 44,728

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 235,866,687	$ 3,937,877	$ 7,610,000	$ 232,194,564	$ 7,655,000
Premium on issuance	20,462,833	-	1,519,778	18,943,055	-
2011 Certificates of Participation	53,080,000	-	-	53,080,000	-
Discount on issuance	(386,119)	-	(39,944)	(346,175)	-
Capital lease obligations	367,746	-	104,941	262,805	109,466
Accumulated vacation - net	2,056,718	1,094,930	-	3,151,648	-
Claims liability	17,062,244	8,171,291	3,492,111	21,741,424	3,492,111
SELF assessment	2,109,282	-	301,316	1,807,966	301,316
Supplemental early retirement plan (SERP)	3,012,235	-	3,012,235	-	-
Other postemployment benefits (OPEB)	21,875,911	6,699,787	4,360,308	24,215,390	-
Total	$ 355,507,537	$ 19,903,885	$ 20,360,745	$ 355,050,677	$ 11,557,893

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 Projects Fund for Blended Component Units. The capital lease obligations will be paid the General 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.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2017
5/1/03	8/1/27	1.10 - 5.46%	15,000,000	$ 15,275,004	$ -	$ 832,539	$ -	$ 16,107,543
9/16/04	8/1/29	1.25 - 5.46%	44,999,498	1,214,212	-	110,340	-	1,324,552
5/18/06	8/1/30	4.50 - 5.15%	67,999,967	3,772,538	-	317,654	-	4,090,192
3/14/07	8/1/30	3.77 - 4.74%	9,997,217	11,981,171	-	493,167	20,000	12,454,338
3/3/11	8/1/42	7.41 - 7.50%	11,525,419	17,844,657	-	1,358,707	-	19,203,364
3/3/11	8/1/35	7.41 - 7.50%	5,477,434	9,099,105	-	825,470	-	9,924,575
5/22/13	8/1/28	2.00 - 5.00%	86,000,000	82,775,000	-	-	4,155,000	78,620,000
6/12/13	8/1/37	2.00 - 4.00%	30,150,000	29,800,000	-	-	-	29,800,000
6/12/13	8/1/27	0.99 - 4.66%	12,515,000	8,640,000	-	-	245,000	8,395,000
8/7/14	8/1/28	2.00-5.00%	24,705,000	22,970,000	-	-	1,840,000	21,130,000
7/15/15	8/1/40	2.00-5.00%	32,495,000	32,495,000	-	-	1,350,000	31,145,000
				$ 235,866,687	$ -	$ 3,937,877	$ 7,610,000	$ 232,194,564

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. At June 30, 2017, 1999 General Obligation Bonds, Series C totaling $16,107,543 (including accretion) were still outstanding. Unamortized premium received on issuance amounted to $203,580.

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).

During the 2014-2015 fiscal year, proceeds from the District's 2014 General Obligation Refunding Bonds were used to provide advance refunding of all outstanding current interest bonds, leaving only the capital appreciation bonds outstanding. At June 30, 2017, 2004 General Obligation Bonds, Series A, totaling $1,324,552 (including accretion) were still outstanding.

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). In 2013, $59,995,000 was refunded using proceeds from the 2013 Refunding General Obligation Bonds.

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 were used to finance the construction, renovation and repair of certain school facilities. At June 30, 2017, the principal balance outstanding (including accretion) was $4,090,192. Unamortized premium received on issuance amounted to $3,138,366.

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, 2017, the principal balance outstanding (including accretion) was $12,454,338. Unamortized premium received on issuance amounted to $183,805.

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 were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2017, the principal balance outstanding (including accretion) was $19,203,364. Unamortized premium received on issuance amounted to $405,748.

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 the 2011 Certificates of Participation Series A. At June 30, 2017, the principal balance outstanding (including accretion) was $9,924,575. Unamortized premium on issuance amounted to $171,362.

2013 Refunding General Obligation Bonds

On May 22, 2013, the San Bernardino City Unified School District issued 2013 Refunding General Obligation Bonds in the amount of $86,000,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $99,134,891 (representing the principal amount of $86,000,000 and premium of $13,864,035, less cost of issuance of $729,144). The bonds have a final maturity which occurs on August 1, 2028, with interest rate ranging from 2.0 to 5.0 percent. Proceeds from the sale of bonds were used to provide current refunding of $13,730,000, $16,175,000, and $59,995,000 for the 2004 Refunding General Obligation Bonds, 2004 General Obligation Bonds, Series A, and 2004 General Obligation Bonds, Series B, respectively. The refunding resulted in a cumulative cash flow savings of $7,894,614 over the life of the new debt and an economic gain of $6,343,785 based on the difference between the present value of the existing debt service requirements and new debt service requirements discounted at 1.50 percent. As of June 30, 2017, the principal balance outstanding was $78,620,000. Unamortized premium received on issuance and deferred charge on refunding were $10,089,937 and $6,720,950, respectively.

2012 General Obligation Bonds, Series A

On June 12, 2013, the San Bernardino City Unified School District issued the 2012 General Obligation Bonds, Series A in the amount of $30,150,000. The Series A represents the first series of authorized bonds not to exceed $250,000,000 to be issued under the measure as approved by voters. The bonds were issued at an aggregate price of $30,769,060, representing the principal amount of $30,150,000 plus an original issue premium of $897,269 less cost of issuance of $278,209. The bonds have a final maturity which occurs on August 1, 2037, and yield interest rates of 2.00 to 4.00 percent. The bonds will be used to fund the construction, renovation, and repair of certain District facilities. At June 30, 2017, 2012 General Obligation Bonds, Series A, totaling $29,800,000 were still outstanding. Unamortized premium received on issuance amounted to $744,609.

2012 General Obligation Bonds, Series B

On June 12, 2013, the San Bernardino City Unified School District issued the 2012 General Obligation Bonds, Series B in the amount of $12,515,000. The Series B represents the second series of authorized bonds not to exceed $250,000,000 to be issued under the measure as approved by voters. The bonds were issued at an aggregate price of $12,406,730, representing the principal amount of $12,515,000 less cost of issuance of $108,270. The bonds have a final maturity which occurs on August 1, 2027, and yield interest rates of 0.99 to 4.66 percent. The bonds were issued to fund the construction, renovation, and repair of certain District facilities. At June 30, 2017, 2012 General Obligation Bonds, Series B, totaling $8,395,000 were still outstanding.

2014 Refunding General Obligation Bonds

On August 7, 2014, the San Bernardino City Unified School District issued 2014 Refunding General Obligation Bonds in the amount of $24,705,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $27,311,511 (representing the principal amount of $24,705,000 and premium of $2,791,906, less cost of issuance of $185,395). The bonds have a final maturity which occurs on August 1, 2028 with interest rates of 2.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2004 General Obligation Bonds, Series A and 2004 General Obligation Refunding Bonds in the amount of $14,685,000 and $12,470,000, respectively. The refunding resulted in a cumulative cash flow saving of $4,307,072 over the life of the new debt and an economic gain of $3,608,895 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.48 percent. As of June 30, 2017, the principal balance outstanding was $21,130,000, and unamortized premium received on issuance deferred charge on refunding were $2,193,640 and $106,872, respectively.

2012 General Obligation Bonds, Series C

On July 15, 2015, the San Bernardino City Unified School District issued the 2012 General Obligation Bonds, Series C in the amount of $32,495,000. The Series C represents the third series of authorized bonds not to exceed $250,000,000 to be issued under the measure as approved by voters. The bonds were issued at an aggregate price of $34,464,574, representing the principal amount of $32,495,000 plus a premium of $1,969,574. The bonds have a final maturity which occurs on August 1, 2040, and yield interest rates of 2.00 to 5.00 percent. The bonds were issued to fund the construction, renovation, and repair of certain District facilities. At June 30, 2017, 2012 General Obligation Bonds, Series C, totaling $31,145,000 were still outstanding. Unamortized premium received on issuance was $1,812,008.

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
2018	$ 7,653,611	$ 1,389	$ 7,842,630	$ 15,497,630
2019	8,330,000	-	7,497,472	15,827,472
2020	8,461,782	3,218	7,125,383	15,590,383
2021	9,062,939	272,061	6,770,066	16,105,066
2022	9,800,202	369,798	6,399,699	16,569,699
2023-2027	60,452,733	5,627,267	24,950,206	91,030,206
2028-2032	52,400,357	21,949,643	13,429,560	87,779,560
2033-2037	36,356,527	45,398,473	8,450,919	90,205,919
2038-2042	39,359,804	55,740,196	2,583,116	97,683,116
2043	316,609	1,678,391	-	1,995,000
Total	$ 232,194,564	$ 131,040,436	$ 85,049,051	$ 448,284,051

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, 2017, the principal balance outstanding was $53,080,000. Unamortized discount on issuance amounted to $346,175.

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2018	$ -	$ 4,220,373	$ 4,220,373
2019	-	3,809,803	3,809,803
2020	-	3,389,219	3,389,219
2021	22,105,000	2,958,621	25,063,621
2022	5,865,000	2,517,624	8,382,624
2023-2026	25,110,000	5,229,872	30,339,872
Total	$ 53,080,000	$ 22,125,512	$ 75,205,512

Capital Leases

The District has entered into agreements to lease various equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

Balance, July 1, 2016	$ 394,953
Payments	(118,486)
Balance, June 30, 2017	$ 276,467

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	$ 118,486
2019	118,486
2020	39,495
	276,467
Less: Amount Representing Interest	(13,662)
Present Value of Minimum Lease Payments	$ 262,805

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $3,151,648.

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, 2017, amounted to $21,741,424, using a discount factor of 1.5 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, 2017 the District's outstanding obligation on their pro-rata share of equity assessed was $1,807,966.

Supplementary Early Retirement Plan (SERP)

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 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 208 employees who retired during 2011-2012 school year, were purchased from United Omaha Life Insurance Company.

As of June 30, 2017, the obligation for the aforementioned Supplemental Early Retirement Plans were fully paid.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $6,844,099, and contributions made by the District during the year were $4,360,308. Interest on the net OPEB obligation and adjustments to the annual required contribution were $1,006,292 and $(1,150,604), respectively, which resulted in an increase to the net OPEB obligation of $2,339,479. As of June 30, 2017, the net OPEB obligation was $24,215,390. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County Schools Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 211,000	$ -	$ -	$ -	$ 211,000
Stores inventories	111,128	-	-	-	111,128
Prepaid expenditures	434,787	-	-	1,699	436,486
Total Nonspendable	756,915	-	-	1,699	758,614
Restricted					
Legally restricted programs	35,880,352	-	-	795,015	36,675,367
Capital projects	-	40,085,055	30,293,977	15,447,390	85,826,422
Debt services	-	-	-	16,959,744	16,959,744
Total Restricted	35,880,352	40,085,055	30,293,977	33,202,149	139,461,533
Assigned					
Deferred maintenance	13,698	-	-	-	13,698
Textbooks	7,000,000	-	-	-	7,000,000
Deficit spending	23,000,000	-	-	-	23,000,000
Targeted schools support plan	7,600,000	-	-	-	7,600,000
Adult education	-	-	-	140,516	140,516
Future capital projects	-	-	-	3,338,467	3,338,467
Total Assigned	37,613,698	-	-	3,478,983	41,092,681
Unassigned					
Reserve for economic uncertainties	12,600,000	-	-	-	12,600,000
Remaining unassigned	17,892,220	-	-	-	17,892,220
Total Unassigned	30,492,220	-	-	-	30,492,220
Total	$ 104,743,185	$ 40,085,055	$ 30,293,977	$ 36,682,831	$ 211,805,048

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	$ 626,474,628	$ 626,596,300	$ 121,672

* Includes on behalf payments of $21,154,477.

NOTE 12 - 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 326 retirees and beneficiaries currently receiving benefits, 52 terminated plan members entitled to but not yet receiving benefits, and 4,533 Plan members.

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 2016-2017, the District contributed $4,360,308 to the Plan, all of which was used for current premiums (approximately 91 percent of total premiums). Plan members receiving benefits contributed $457,245, or approximately 9 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	$ 6,844,099
Interest on net OPEB obligation	1,006,292
Adjustment to annual required contribution	(1,150,604)
Annual OPEB cost (expense)	6,699,787
Contributions made	(4,360,308)
Increase in net OPEB obligation	2,339,479
Net OPEB obligation, beginning of year	21,875,911
Net OPEB obligation, end of year	$ 24,215,390

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
2015	$ 6,524,847	$ 3,713,862	56.92%	$ 19,043,811
2016	6,718,470	3,886,370	57.85%	21,875,911
2017	6,699,787	4,360,308	65.08%	24,215,390

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) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	$ 57,402	$ 52,885,405	$ 52,828,003	0.11%	$ 368,077,472	14.35%

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 July 1, 2015, actuarial valuation, the entry age normal actuarial method was used. The actuarial assumptions included a 4.75 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, 2017, was 21 years.

NOTE 13 - 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, 2017, 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 2017, 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 Blue Shield of California to provide employee medical and surgical benefits, and Delta Care and Met Life 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, 2015 to June 30, 2017:

	Workers' Compensation
Liability Balance, July 1, 2015	$ 17,062,244
Claims and changes in estimates	4,564,192
Claims payments	(4,564,192)
Liability Balance, June 30, 2016	17,062,244
Claims and changes in estimates	8,171,291
Claims payments	(3,492,111)
Liability Balance, June 30, 2017	$ 21,741,424
Assets available to pay claims at June 30, 2017	$ 52,288,792

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 409,953,840	$ 93,961,482	$ 10,000,357	$ 45,585,614
CalPERS	133,720,804	48,654,218	8,181,106	10,132,393
CalPERS - Safety Risk Pool	3,402,716	2,461,992	767,531	1,783,778
Total	$ 547,077,360	$ 145,077,692	$ 18,948,994	$ 57,501,785

The details of each plan ae as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $34,101,695.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 409,953,840
State's proportionate share of the net pension liability associated with the District	233,379,408
Total	$ 643,333,248

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.5069 percent and 0.5067 percent, resulting in a net increase in the proportionate share of 0.0002 percent.

For the year ended June 30, 2017, the District recognized pension expense of $45,585,614. In addition, the District recognized pension expense and revenue of $22,558,576 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 34,101,695	$ -
Net change in proportionate share of net pension liability	27,268,657	-
Difference between projected and actual earnings on pension plan investments	32,591,130	-
Differences between expected and actual experience in the measurement of the total pension liability	-	10,000,357
Total	$ 93,961,482	$ 10,000,357

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 711,030
2019	711,031
2020	18,945,336
2021	12,223,733
Total	$ 32,591,130

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 3,626,176
2019	3,626,176
2020	3,626,176
2021	3,626,176
2022	3,626,172
Thereafter	(862,576)
Total	$ 17,268,300

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 590,016,032
Current discount rate (7.60%)	409,953,840
1% increase (8.60%)	260,404,650

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

The CalPERS Safety Risk Pool provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Safety Risk Pool (CalPERS)	
Hire date	On or before	On or after
Benefit formula	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	9.000%	15.250%
Required employer contribution rate	26.293%	14.948%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were $12,173,917 and $790,628, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liabilities totaling $133,720,804 and $3,402,716, respectively. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.6771 percent and 0.6606 percent, resulting in a net increase in the proportionate share of 0.0165 percent for CalPERS. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0657 percent and 0.0713 percent, resulting in a net decrease in the proportionate share of 0.0056 percent for CalPERS Safety Risk Pool.

For the year ended June 30, 2017, the District recognized pension expense of $10,132,393 for CalPERS and $1,783,778 for CalPERS Safety Risk Pool. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,173,917	$ -
Net change in proportionate share of net pension liability	9,979,857	4,163,592
Difference between projected and actual earnings on pension plan investments	20,749,168	-
Differences between expected and actual experience in the measurement of the total pension liability	5,751,276	-
Changes of assumptions	-	4,017,514
Total	$ 48,654,218	$ 8,181,106

	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 790,628	$ -
Net change in proportionate share of net pension liability	430,430	457,049
Difference between projected and actual earnings on pension plan investments	1,240,934	-
Differences between expected and actual experience in the measurement of the total pension liability	-	57,931
Changes of assumptions	-	252,551
Total	$ 2,461,992	$ 767,531

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 2,910,345
2019	2,910,346
2020	9,513,127
2021	5,415,350
Total	$ 20,749,168

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2018	$ 175,194
2019	175,194
2020	567,494
2021	323,052
Total	$ 1,240,934

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 2,564,593
2019	1,626,739
2020	3,358,695
Total	$ 7,550,027

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2017	$ (266,429)
2018	(266,429)
2019	(181,484)
2020	110,812
Total	$ (337,101)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	CalPERS Net Pension Liability
1% decrease (6.65%)	$ 199,512,183
Current discount rate (7.65%)	133,720,804
1% increase (8.65%)	78,936,533

Discount rate	CalPERS Safety Risk Pool Net Pension Liability
1% decrease (6.65%)	$ 5,093,735
Current discount rate (7.65%)	3,402,716
1% increase (8.65%)	2,014,563

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 $21,154,477 (8.602 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.

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 $87,585, which was one percent of its current-year covered payroll. Employee contributions amounted to $569,144.

NOTE 15 - 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, 2017.

Litigation

The District is involved in various litigations 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, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Proposition 39 Projects	$ 4,085,183	08/31/17
Professional Development Center	11,384	12/31/17
Org Portable Removal	347,802	12/31/17
Indian Springs HS Performing Arts Theatre	8,141,877	06/30/18
Chavez MS Portable Relocation	99,292	07/31/17
Cajon HS Theatre Renovation	1,050,785	07/31/17
North Park ES - Phase I	1,555,326	08/31/17
Athletic Complex Upgrades	11,223,357	11/30/17
Muscoy Elementary Admin/Library Renovation	686,337	08/31/17
	$ 27,201,343	

NOTE 16 - 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, 2017, the District made payments of $2,988,249, $462,447, and $301,316 to SCSRM, SCSEBA, and SELF, respectively, for the coverage noted above.

NOTE 17 - SUBSEQUENT EVENTS

2012 General Obligation Bonds, Series D

On October 17, 2017, the District issued $31,550,000 General Obligation Bonds. The bonds were issued as current interest bonds. The bonds issued at an aggregate price of $32,861,241 (representing the principal amount of $31,550,000 and premium of 1,701,920, less cost of issuance of $390,679). The bonds have a final maturity to occur on August 1, 2042, with interest rates from 3.00 to 5.00 percent. Proceeds from sale of bonds will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the cost of issuing the Bonds.

2012 General Obligation Bonds, Series E

On October 17, 2017, the District issued $21,085,000 General Obligation Bonds. The bonds were issued as current interest bonds. The bonds issued at an aggregate price of $21,623,286 (representing the principal amount of $21,085,000 and premium of 791,704, less cost of issuance of $253,418). The bonds have a final maturity to occur on August 1, 2042, with interest rates from 4.00 to 5.00 percent. Proceeds from sale of bonds will be used to pay certain lease payments with respect to the District's outstanding Taxable Certificates of Participation, 2011 Series A (Direct Subsidy Qualified School Construction Bonds) and to pay the cost of issuing the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 502,534,382	$ 501,598,267	$ 502,148,915	$ 550,648
Federal sources	42,978,223	49,541,465	49,453,277	(88,188)
Other State sources	63,251,374	77,244,193	83,450,621	6,206,428
Other local sources	5,508,753	7,738,669	13,197,225	5,458,556
Total Revenues [1]	614,272,732	636,122,594	648,250,038	12,127,444
EXPENDITURES				
Current				
Certificated salaries	282,494,361	273,615,943	273,041,212	574,731
Classified salaries	81,886,131	79,555,586	79,931,361	(375,775)
Employee benefits	127,873,557	139,963,014	144,735,476	(4,772,462)
Books and supplies	36,904,088	35,676,522	34,340,637	1,335,885
Services and operating expenditures	102,057,491	87,510,857	88,683,190	(1,172,333)
Capital outlay	4,057,458	7,958,820	6,363,063	1,595,757
Other outgo	(2,032,815)	(1,703,117)	(1,773,057)	69,940
Debt service - principal	-	-	104,941	(104,941)
Debt service - interest	-	-	13,545	(13,545)
Total Expenditures [1]	633,240,271	622,577,625	625,440,368	(2,862,743)
Excess (Deficiency) of Revenues Over Expenditures	(18,967,539)	13,544,969	22,809,670	9,264,701
Other Financing Uses				
Transfers out	(1,501,324)	(3,897,003)	(1,155,932)	2,741,071
NET CHANGE IN FUND BALANCE	(20,468,863)	9,647,966	21,653,738	12,005,772
Fund Balance - Beginning	83,089,447	83,089,447	83,089,447	-
Fund Balance - Ending	$ 62,620,584	$ 92,737,413	$ 104,743,185	$ 12,005,772

[1] On behalf payments of $21,154,477 are included in the actual revenues and expenditures and final budget, but have not been included in the original budgeted amounts. In addition, as Fund 14, Deferred Maintenance Fund, for reporting purposes has been consolidated into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (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%
July 1, 2013	51,530	54,255,216	54,203,686	0.09%	305,037,648	17.77%
July 1, 2015	57,402	52,885,405	52,828,003	0.11%	368,077,472	14.35%

See accompanying note to required supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.5069%	0.5067%	0.4545%
District's proportionate share of the net pension liability	$ 409,953,840	$ 341,161,128	$ 265,575,937
State's proportionate share of the net pension liability associated with the District	233,379,408	180,436,628	160,366,217
Total	$ 643,333,248	$ 521,597,756	$ 425,942,154
District's covered - employee payroll	$ 256,558,229	$ 235,204,155	$ 224,057,629
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	159.79%	145.05%	118.53%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.6771%	0.6606%	0.7166%
District's proportionate share of the net pension liability	$ 133,720,804	$ 97,352,351	$ 81,354,671
District's covered - employee payroll	$ 81,804,735	$ 79,747,749	$ 69,703,855
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	163.46%	122.08%	116.71%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%
CalPERS- SAFETY RISK POOL			
District's proportion of the net pension liability	0.0657%	0.0713%	0.0473%
District's proportionate share of the net pension liability	$ 3,402,716	$ 2,937,502	$ 2,941,679
District's covered - employee payroll	$ 1,545,625	$ 1,192,863	$ 1,158,119
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	220.15%	246.26%	254.00%
Plan fiduciary net position as a percentage of the total pension liability	74%	78%	79%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 34,101,695	$ 27,528,698	$ 20,886,129
Contributions in relation to the contractually required contribution	34,101,695	27,528,698	20,886,129
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 271,078,657	$ 256,558,229	$ 235,204,155
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 12,173,917	$ 9,691,407	$ 9,386,310
Contributions in relation to the contractually required contribution	12,173,917	(9,691,407)	(9,386,310)
Contribution deficiency (excess)	$ 24,347,834	$ -	$ -
District's covered - employee payroll	$ 87,645,191	$ 81,804,735	$ 79,747,749
Contributions as a percentage of covered - employee payroll	13.89%	11.85%	11.77%
CalPERS - SAFETY RISK POOL			
Contractually required contribution	$ 790,628	$ 934,869	$ 729,241
Contributions in relation to the contractually required contribution	790,628	934,869	729,241
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 1,853,036	$ 1,545,625	$ 1,192,863
Contributions as a percentage of covered - employee payroll	42.67%	60.48%	61.13%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions* –** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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]	$ 51,392
Safe and Drug-Free Schools and Communities	84.184M	[1]	687,726
Passed through California Department of Education (CDE)			
Adult Education - Basic Grants to States:			
Adult Basic Education and ELA	84.002A	14508	531,391
Adult Secondary Education	84.002	13978	404,142
Adult English Literacy and Civics Education	84.002A	14109	196,278
Subtotal Adult Education - Basic Grants to States			1,131,811
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	29,061,553
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330	14831	151,722
Improving Teacher Quality Grants:			
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	3,487,916
Title II, Part A - Administrator Training Program	84.367	14344	46,135
Subtotal Improving Teacher Quality Grants			3,534,051
English Language Acquisition Grants:			
Title III - Immigrant Education Program	84.365	15146	42,231
Title III - English Learner Student Program	84.365	14346	1,992,890
Subtotal English Language Acquisition Grants			2,035,121
Title X - McKinney-Vento Homeless Assistance Grants	84.196	14332	167,248
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	9,446,794
Preschool Grants, Part B, Sec 619	84.173	13430	160,611
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	545,507
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	995,168
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,767
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	1,801
Subtotal Special Education (IDEA) Cluster			11,151,648
Early Intervention Grants	84.181	23761	59,697
Secondary Education	84.048	13924	679,230
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126A	10006	344,413
PROMISE Grant	84.U01	N/A	171,802
Total U.S. Department of Education			49,227,414

[1] Direct award funded program, no PCA number.

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, 2017

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			
Passed through California Department of Health Services			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	$ 608,256
Medi-Cal Administrative Activities	93.778	10060	777,956
Subtotal Medi-Cal Assistance Program			1,386,212
Passed through CDE			
Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	15136	173,093
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596	13609	376,734
Subtotal CCDF Cluster			549,827
Total U.S. Department of Health and Human Services			1,936,039
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	20,469,464
Basic School Breakfast Program	10.553	13390	21,689
Especially Needy Breakfast Program	10.553	13526	4,642,990
Meal Supplements	10.556	13392	653,380
Seamless Summer Food Program	10.559	13004	79,349
Commodities	10.555	13396	1,818,396
Subtotal Child Nutrition Cluster			27,685,268
Child & Adult Care Food Program	10.558	13393	643,605
Total U.S. Department of Agriculture			28,328,873
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Office Training Corps	12.000	[1]	144,807
Total U.S. Department of Defense			144,807
Total Expenditure of Federal Awards			$ 79,637,133

[1] Direct award funded program, no PCA number.

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The San Bernardino City Unified School District was established July 1, 1964. The District operates forty-nine elementary schools, one K-8 school, ten middle schools, a middle college, six comprehensive high schools, one alternative education school, two continuation high schools, two community day schools, an adult education school, and three special education schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dr. Margaret Hill	President	2019
Abigail Medina	Vice President	2017
Dr. Barbara Flores	Member	2017
Michael J. Gallo	Member	2019
Gwendolyn Rodgers	Member	2019
Danny Tillman	Member	2017
Scott Wyatt, Ed.D	Member	2019

ADMINISTRATION

Dale Marsden, Ed.D	Superintendent
Harold Vollkommer, Ed.D	Deputy Superintendent
Jayne Christakos	Chief Business Officer
Perry Wiseman, Ed.D	Assistant Superintendent, Human Resources
Kennon Mitchell, Ph.D	Assistant Superintendent, Educational Services
Rachel Monarrez, Ph.D	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, 2017

	Final Report	
	Second Period Report AC7051E8	Annual Report 324E3723
Regular ADA		
Transitional kindergarten through third	15,771.19	15,791.56
Fourth through sixth	11,809.06	11,804.37
Seventh and eighth	6,734.40	6,708.24
Ninth through twelfth	12,463.27	12,295.39
Total Regular ADA	46,777.92	46,599.56
Extended Year Special Education		
Transitional kindergarten through third	-	15.55
Fourth through sixth	-	12.02
Seventh and eighth	-	3.42
Ninth through twelfth	-	11.55
Total Extended Year Special Education	-	42.54
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	2.37	3.18
Fourth through sixth	12.62	13.04
Seventh and eighth	20.86	21.69
Ninth through twelfth	49.95	44.08
Total Special Education, Nonpublic, Nonsectarian Schools	85.80	81.99
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.05	0.26
Fourth through sixth	0.63	1.40
Seventh and eighth	0.66	1.82
Ninth through twelfth	3.26	4.95
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	4.60	8.43
Community Day School		
Transitional kindergarten through third	4.22	4.38
Fourth through sixth	10.72	10.97
Seventh and eighth	6.21	6.08
Total Community Day School	21.15	21.43
Total ADA	46,889.47	46,753.95

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,675	180	-	Complied
Grade 2		54,675	180	-	Complied
Grade 3		54,675	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,675	180	-	Complied
Grade 5		54,675	180	-	Complied
Grade 6		54,675	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		61,434	180	-	Complied
Grade 8		61,434	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		65,736	180	-	Complied
Grade 10		65,736	180	-	Complied
Grade 11		65,736	180	-	Complied
Grade 12		65,736	180	-	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, 2017

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

	General Fund	Building Fund	Non-Major Governmental Funds
NET POSITION			
Balance, June 30, 2017, Unaudited Actuals	$ 102,017,442	$ 36,107,096	$ 35,940,592
Increase in:			
Accounts Receivable	-	-	565,376
Cash Awaiting Deposit	958,179	-	-
Decrease in:			
Accounts payable	1,767,564	3,977,959	176,863
Balance, June 30, 2017, Audited Financial Statement	$ 104,743,185	$ 40,085,055	$ 36,682,831

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND				
Revenues and other sources	$ 633,842,623	$ 648,250,038	$ 624,891,878	$ 546,686,861
Other sources and transfers in	-	-	59,977	3,358,820
Total Revenues and Other Sources	633,842,623	648,250,038	624,951,855	550,045,681
Expenditures	(647,963,218)	(625,440,368)	(593,626,278)	(551,040,417)
Other uses and transfers out	(1,501,324)	(1,155,932)	(1,896,851)	(1,412,608)
Total Expenditures and Other Uses	(649,464,542)	(626,596,300)	(595,523,129)	(552,453,025)
INCREASE (DECREASE) IN FUND BALANCE	$ (15,621,919)	$ 21,653,738	$ 29,428,726	$ (2,407,344)
ENDING FUND BALANCE	$ 89,121,266	$ 104,743,185	$ 83,089,447	$ 53,660,721
AVAILABLE RESERVES [2]	$ 43,294,603	$ 30,492,220	$ 32,020,305	$ 14,829,076
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	6.7%	4.9%	5.4%	2.7%
LONG-TERM OBLIGATIONS	N/A	$ 355,050,676	$ 355,507,537	$ 327,601,958
K-12 AVERAGE DAILY ATTENDANCE AT P-2	46,446	46,889	47,372	47,467

The General Fund balance has increased by $51,082,464 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $15,621,919 (14.9 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 surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $27,448,718 over the past two years.

Average daily attendance has decreased by 578 over the past two years. An additional decline of 443 ADA is anticipated during fiscal year 2017-2018.

[1] Budget 2018 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.

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2017

Name of Charter School	Included in Audit Report
PAL Academy (Charter No. 0335)	No
ASA Charter (Charter No. 0677)	No
Public Safety Academy (Charter No. 0731)	No
Casa Ramona Academy (Charter No. 0897)	No
SOAR Charter Academy (Charter No. 0982)	No
Options for Youth (Charter No. 1132)	No
New Vision Middle (Charter No. 1089)	No
Hardy Brown College Prep (Charter No. 1155)	No
Excel Prep Charter (Charter No. 1153)	No
Taft T. Newman Leadership Academy (Charter No. 1437)	No
Woodward Leadership Academy (Charter No. 1438)	No
Center for Learning and Unlimited Educational Success (Charter No. 1574)	No
Ballington Academy for the Arts and Science - San Bernardino (Charter No. 1795)	No

See accompanying note to supplementary information.

SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 748,515	$ 563,575	$ 15,419,566
Receivables	1,595,840	68,349	1,008,057
Prepaid expenses	1,699	-	-
Due from other funds	139,097	617,801	-
Total Assets	$ 2,485,151	$ 1,249,725	$ 16,427,623
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 606,335	$ 739,150	$ 976,755
Due to other funds	871,382	413,404	3,542
Unearned revenue	89,138	78,237	-
Total Liabilities	1,566,855	1,230,791	980,297
Fund Balances:			
Nonspendable	1,699	-	-
Restricted	776,081	18,934	15,447,326
Assigned	140,516	-	-
Total Fund Balances	918,296	18,934	15,447,326
Total Liabilities and Fund Balances	$ 2,485,151	$ 1,249,725	$ 16,427,623

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 3,412,584	$ 64	$ 16,959,744	$ 37,104,048
12,422	-	-	2,684,668
-	-	-	1,699
-	-	-	756,898
$ 3,425,006	$ 64	$ 16,959,744	$ 40,547,313
$ 86,384	$ -	$ -	$ 2,408,624
155	-	-	1,288,483
-	-	-	167,375
86,539	-	-	3,864,482
-	-	-	1,699
-	64	16,959,744	33,202,149
3,338,467	-	-	3,478,983
3,338,467	64	16,959,744	36,682,831
$ 3,425,006	$ 64	$ 16,959,744	$ 40,547,313

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, 2017

	Adult Education Fund	Child Development Fund	Capital Facilities Fund
REVENUES			
Federal sources	$ 1,131,811	$ 549,827	$ -
Other State sources	8,197,630	7,133,654	-
Other local sources	258,085	205,496	5,087,452
Total Revenues	9,587,526	7,888,977	5,087,452
EXPENDITURES			
Current		-	
Instruction	5,357,640		-
Instruction-related activities:			
Supervision of instruction	13,171	407,066	-
School site administration	2,338,323	246,719	-
Pupil services:			
All other pupil services	338,241	10,425	-
Administration:			
All other administration	327,336	454,171	-
Plant services	645,515	231,382	-
Facility acquisition and construction	857	16,625	3,846,555
Community services	-	8,608,648	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	9,021,083	9,975,036	3,846,555
Excess (Deficiency) of Revenues Over Expenditures	566,443	(2,086,059)	1,240,897
Other Financing Sources (Uses)			
Transfers in	77,421	616,622	960,515
Transfers out	-	-	(60,362)
Net Financing Sources (Uses)	77,421	616,622	900,153
NET CHANGE IN FUND BALANCES	643,864	(1,469,437)	2,141,050
Fund Balances - Beginning	274,432	1,488,371	13,306,276
Fund Balances - Ending	$ 918,296	$ 18,934	$ 15,447,326

See accompanying note to supplementary information.

	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
	$ -	$ -	$ -	$ 1,681,638
	-	-	133,077	15,464,361
	124,002	341	12,941,432	18,616,808
	124,002	341	13,074,509	35,762,807
	-	-	-	5,357,640
	-	-	-	420,237
	-	-	-	2,585,042
	-	-	-	348,666
	-	-	-	781,507
	-	-	-	876,897
	1,424,116	-	-	5,288,153
	-	-	-	8,608,648
	-	-	7,610,000	7,610,000
	-	306	8,127,610	8,127,916
	1,424,116	306	15,737,610	40,004,706
	(1,300,114)	35	(2,663,101)	(4,241,899)
	3,085,508	-	-	4,740,066
	(155)	-	-	(60,517)
	3,085,353	-	-	4,679,549
	1,785,239	35	(2,663,101)	437,650
	1,553,228	29	19,622,845	36,245,181
	$ 3,338,467	$ 64	$ 16,959,744	$ 36,682,831

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, the District received Qualified School Construction Bonds - Interest Subsidy funds which are not required to be reported on the Schedule of Expenditures of Federal 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 Position:		$ 82,074,432
Medi-Cal Billing Option	93.778	173,345
Qualified School Construction Bonds - Interest Subsidy	[1]	(2,610,644)
Total Schedule of Expenditures of Federal Awards		$ 79,637,133

[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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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 1986-87 requirements, 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.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise San Bernardino City Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Bernardino City Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Bernardino City Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Bernardino City Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency, as item 2017-001.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Bernardino City Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 *Governmental Auditing Standards.*

We noted certain matters that we reported to management of San Bernardino City Unified School District in a separate letter dated December 15, 2017.

San Bernardino City Unified School District's Response to Findings

San Bernardino City Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. San Bernardino City Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited San Bernardino City Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2017. San Bernardino City Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Bernardino City Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of San Bernardino City Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, San Bernardino City Unified School District complied, in all material respects, with the types of 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, 2017.

Report on Internal Control Over Compliance

Management of San Bernardino City Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Bernardino City Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Bernardino City Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the San Bernardino City Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the San Bernardino City Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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.

Basis for Qualified Opinion on After School Education and Safety Program and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, San Bernardino City Unified School District did not comply with requirements regarding After School Education and Safety and Unduplicated Local Control Funding Formula Pupil Counts as identified in findings 2017-002 and 2017-003, respectively. Compliance with such requirements is necessary, in our opinion, for San Bernardino City Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion on After School Education and Safety and Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Bernardino City Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Programs

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, 2017, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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 Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing for Independent Study because the ADA reported for the program was below the materiality threshold required for testing.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Course-Based Independent Study Program; therefore, we did not perform procedures related to Independent Study - Course Based.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
84.367	Title II, Improving Teacher Quality Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,389,114
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

Unmodified for all programs except for the following programs which were qualified:

Name of Programs
After School Education and Safety Program
Unduplicated Local Control Funding Formula Pupil Counts

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2017-001 30000

Criteria or Specific Requirements

Under the accrual basis of accounting, amounts due to private persons, businesses, or other vendors for services rendered and goods received on or before the close of the fiscal year should be accrued to ensure expenditures are recorded in the year they are incurred. Amounts accrued should be based on actual goods provided or services rendered as of year-end to the extent such information is available from vendors. It may be necessary to estimate the amount due. In such instances, estimates should be based on information available to reasonably estimate, such as estimates provided by a vendor when an invoice is not yet available.

Condition

The District accrued liabilities in excess of amounts owed. Such amounts were associated with invoices related to utility services, phone bills, and capital outlay activities in multiple funds amounting to $5,922,386.

Questioned costs

There were no questioned costs associated with the condition identified. However, audit adjustments were required as a result of the over-accrued liabilities.

Context

The condition was identified through our substantive procedures performed over the District's accounts payable balances and through examination of supporting documents.

Effect

Due to the condition identified, the District's accounts payable and the associated expenditures were overstated by $5,922,386 in total, expanding through multiple funds.

Cause

The cause of the condition identified appears to have originated as a result of the combination of over-estimating amounts due without an invoice present and not properly closing open purchase orders, which resulted in automatically accruing the full amount.

Recommendation

The District should implement a process to ensure all invoices that require estimation are estimated accurately by reviewing invoices for the same month in the prior year or by contacting the vendor. The District should also review all of its open purchase orders and close them, if no expenses have been incurred before year-end to prevent them from being automatically accrued.

Corrective Action Plan

The District's current process for closing an Open Purchase order is for each purchasing agent to run a report for all orders exempt from a Good Receipt and continue to perform a manual check for any orders exempt from Good Receipt to ensure they are closed by June 30th. The Business Services Department will examine this process to determine what steps may need to be revised.

The District's current process for establishing a non-Facilities year end liability if an invoice is not available is to examine the prior year billings for the unpaid month(s) and then calculating the amount using the data. This process will be reviewed with the Accounts Payable Technicians during the department's year end training.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2017-002 40000

After School Education and Safety Program

Criteria or Specific Requirements

According to the California *Education Code* Section 8483a(2), it is the intent of the Legislature that elementary and middle school or junior high school pupils participate in the full day of the program every day during which pupils participate, except as allowed by the early release policy.

Condition

While verifying the total students served for the month of November 2016, the auditor noted instances where students were signed out early in the after school program or arrived late in the before school program without documenting the reason for early release or late arrival. Since the reason for early release or late arrival is not documented, it cannot be determined if the early release or late arrival is consistent with the early release/late arrival policy.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition.

Context

The condition identified resulted from our review of Del Rosa Elementary, Norton Elementary, Rio Vista Elementary, Vermont Elementary, Del Vallejo Middle, Newark Sunrise attendance records and monthly attendance summary totals for the month of November 2016. The auditor selected five out of fifty-eight after school programs and one out of 16 before school programs for the first semi-annual reporting period dated July to December 2016. The auditor reviewed sign in/sign out records for the month of November 2016, and noted instances where students signed in late or signed out early without documenting the reason for early release.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8483a(2) for the 2016-2017 fiscal year since the students were signing in late or signing out early without a reason. As such, it could not be determined if the students arriving late or leaving early were in compliance with the early release/late arrival policy.

Cause

The cause of the condition appears to be a result of parents failing to record an early release/late arrival code in the system when checking their child in/out of the program.

Recommendation

We recommend the District continue to enforce it's early release/late arrival policy by communicating with parents the importance of documenting the reason for early release or late arrival.

Corrective Action Plan

The program has implemented the following:

- A new district early release/late arrival policy was started in July 2017
- Program personnel responsible for recording the Early Release Code for students leaving early.
- Program personnel will audit weekly summaries and review for accuracy before semi-annual report is submitted.
- All sign-out sheets will be audited for compliance.
- Professional Development will be provided to Program personnel to ensure all are aware of the new procedures and expectations.

2017-003 40000

Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states school districts should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 36 students as having designation of free or reduced and 4 students as having designation of English learner on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Questioned Costs

The District over claimed the total eligible pupils by 36, resulting in a decrease of approximately $29,246 in Local Control Funding Formula (LCFF) funding.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1).

The initial sample of FRPM Only students was selected from eleven school sites, which resulted in exceptions noted for two of these sites. For 40 students selected, three had their status changed to Paid after the Verification process was performed by the Nutrition Services Department. The auditor requested that the District identify all remaining students who had their status changed to Paid due to the verification process. The District's review of all remaining students resulted in a total of 32 students identified that were incorrectly designated as having free or reduced status on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

The initial sample of EL only students were selected from ten school sites, which resulted in exceptions noted for one of the sites. For 17 students selected, one had been exited out of EL designation before the census date. The auditor requested that the District review all of its EL students and determine how many more students had been exited out of EL designation before census date but their status wasn't changed in CALPADS. The District's review resulted in a total of 4 students who were incorrectly designated as EL on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report to align the reporting with the accurate EL status and most current free and reduced eligibility information from the District's Nutrition Services Department. The following schedule identifies the exceptions District-wide.

Enrollment Count	Certified Total Unduplicated Count	Adjustment for FRPM	Adjustment for EL	Adjusted Total Unduplicated Count
49,840	44,466	(32)	(4)	44,430

Cause

The primary cause for inaccurate reporting of FRPM students appears to be early upload of Verification data into CalPADS. The Nutrition Department finished the verification in mid-November but the upload of changes in statuses due to verification was completed at the end of October.

The primary cause of inaccurate reporting of EL students appears to be two different statuses in CalPADS. The District needs to delete the old status in CalPADS for the new and accurate status to be able to take its place.

Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measures are taking place to ensure that CALPADS information is being updated.

Corrective Action Plan

Nutrition Services and Information Technology have instituted an approved automated process for weekly communication of all student eligibilities for the Free and Reduced Price Meals data. Any changes in eligibilities from Verification, Direct Certification or new Student Meal Forms are incorporated into these student eligibilities at the time of transfer.

Going forward, once the Nutrition Verification Process is completed, Information Technology has implemented a process to compare students in the 1.18 report based on selective criteria. Manual updates will be made in CALPADS to remove the Free and Reduced status for those students. In regards to English Learner students, Information Technology will process “continuous checks” after CBEDS for all students in the 1.18 report that meet selective criteria and manual updates will be made in CALPADS to correct their status.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Federal Awards Findings

2016-001 Code 50000

Federal Program Affected

Program Name: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.556, 10.559
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Agriculture

Criteria or Specific Requirements

Allowable costs/cost principles for any federally funded program must conform to cost principles defined in Title 2 of the Code of Federal Regulations, Part 225. Per Title 2 CFR Part 225, Appendix B (8)(h), employees that work on multiple activities or cost objectives must support the distribution of their salaries and wages by a personnel activity report (PAR) or equivalent documentation that: (1) reflects and after-the-fact distribution of the actual activity of the employee; (2) accounts for the total activity for which the employee is compensated; (3) is signed by the employee and prepared at least monthly. This section also specifies that budgeted estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards.

Per Title 2 of the Code of Federal Regulations, Part 225, Appendix B, Item 5, Bad debts, including losses arising from uncollectible accounts and other claims, related to collection costs, and related legal costs, are unallowable.

Per Title 2 of the Code of Federal Regulations, Part 200, Subpart E, Section 200.421(e)(3), costs of promotional items and memorabilia, including models, gifts, and souvenirs are unallowable.

Per Title 2 of the Code of Federal Regulations, Part 200, Section 200.452 maintenance and repair costs are allowable if they keep property in an efficient operating condition and aren't paid through rental or other agreements.

Per Title 2 of the Code of Federal Regulations, Part 200, Section 200.432, the primary purpose of the conference must be the dissemination of technical knowledge necessary to successfully perform under the Federal award.

Condition

The California Department of Education (CDE), Nutrition Services Division (NSD), Resource Management Unit (RMU) staff performed School Nutrition Program (SNP), Administrative Review (AR) of the San Bernardino City Unified School District (SBCUSD). Based on the review conducted, SBCUSD did not adequately document multi-funded employees. All employees did not use a personnel activity report (PAR) or equivalent documentation in accordance with federal regulations. Several employees noted whose activities appear to be predetermined based on the anticipated hours for which each position is budgeted. There were several months when the same time and effort amount was charged to the cafeteria fund which appears to be predetermined. As a result, it appears that the District charged a total of $190,211 in unsupported salaries and benefits.

Additionally, the RMU staff discovered that the SBCUSD did not use a nonfederal funding source to clear bad debt in prior years in the amount of $8,812.

They also discovered unallowable charges in the amount of $15,426 for pencils, wristbands, magnets, activity booklets, and bookmarks. These items fall under unallowable advertising and public relations expenses.

They discovered unallowable charges of $652 for the electrical upgrade of a dishwasher which is District's responsibility.

Lastly, they discovered unallowable charges in the amount of $688 for travel charges to 2015 California School Board Association (CSBA) Annual Education Conference as the intent of the conference was related to educational policy issues and not related to School Nutrition Program.

Questioned Costs

A total of $215,788 in questioned costs was identified as a result of the condition identified above. The District's General Fund repaid the Cafeteria Fund for the identified questioned cost amount to correct the issue.

Context

The condition was identified as a result of the auditor's review of the results of Administrative Review performed by CDE's Nutrition Services Division.

Effect

The District is not in compliance with the following regulations and has charged unallowable expense to the Cafeteria Fund:

- Title 2 CFR Part 225, Appendix B (8)(h)
- Title 2 CFR Part 225, Appendix B, Item 5
- Title 2 CFR Part 200, Subpart E, Section 200.421(e)(3)
- Title 2 CFR Part 200, Section 200.452
- Title 2 CFR Part 200, Section 200.432

These unsupported charges have subsequently been reimbursed.

Cause

The condition identified appears to have materialized due to the District's interpretation of the requirements for PARS and how they apply to hourly employees. In addition, lack of full awareness of Title 2 Code of Federal Regulations appears to be a factor.

Recommendation

The District should implement administrative procedures that require all multi-funded employees to prepare PARs or equivalent documentation that identifies the employee's activity daily by hours spent in each categorical program or cost objective in accordance with Federal regulations. The District should also review the above noted regulations and develop procedures to ensure unallowable expenses are identified before the purchase is made to avoid the need for the General Fund to transfer to the nonprofit school food service account for these expenses.

Current Status

Implemented

2016-002 Code 50000

Federal Program Affected

Program Name: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.556, 10.559
Pass-Through Entity: California Department of Education
Federal Agency: U.S. Department of Agriculture

Criteria or Specific Requirements

Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2) requires the proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account to be equal or greater than the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account.

Condition

During the 2014-15 fiscal year, the District's cafeteria operation did not price nonprogram food items high enough to ensure compliance with Title 7, Part 210, Subpart C, Section 210.14(f)(2). The ratio of nonprogram food cost to total food cost to nonprogram revenue to total food service revenue is higher as a result.

Questioned Costs

There were no direct questioned costs associated with the condition identified, but the cafeteria account needed to generate an additional $204,753 in nonprogram revenues to comply with the requirement.

Context

The condition was identified as a result of review of the District's nonprogram revenue calculation form and supporting documents.

Effect

The revenue from nonprogram foods is a direct and material compliance requirement that the District must adhere to. The District is non-compliant with the requirements stated in Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2).

Cause

The condition identified appears to have materialized due to the District's Point of Sale (POS) systems being inadequately set up to track nonprogram food costs and revenues. Additionally, it appears that the District did not periodically use the USDA Nonprogram Food Revenue Tool ensure that nonprogram food revenue compliance requirements were being met.

Recommendation

The District should review the requirements stated in Title 7, Part 210, Subpart C, Section 210.14(f)(2) and implement a procedure to address the deficiency currently identified with the District's nonprogram revenue requirement. Specifically, we recommend the District periodically use the USDA Nonprogram Food Revenue Tool to verify compliance with Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.14(f)(2).

Current Status

Implemented

State Awards Findings

2016-003 Code 40000

After School Education and Safety Program

Criteria or Specific Requirements

According to *California Education Code Section* 8483(a)(1) states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program. In addition, California *Education Code* Section 8482.4(c), states that a district that receives state funding for an after school program must report attendance to the California Department of Education (CDE) semiannually. Such reporting must be supported by attendance records supporting student participation.

Condition

Documentation supporting the number of students served does not agree with the amounts reported on the semi-annual report. The District maintains sign out sheets for students in order to track students served. The auditor selected 5 of the fifty-eight schools operating the program (Golden Valley Middle, Hunt Elementary, North Park Elementary, Hillside Elementary, and Cole Elementary) and recomputed the number of students served as indicated on the sign out sheets to determine if total students served for the month of October 2015 agrees with the amount reported on the semi-annual report. The auditor included each student on the sign out sheet that was signed out after 6:00 pm and students who left early, but had an early release reason documented in our recount. The auditor did not include any student who left before 6:00 pm if the student did not have an early release reason documented as required by District's early release policy. As a result, the auditor's count noted 7,483 students served during the month of October for the sites tested, however, the semi-annual report noted 11,369 students for the month of October 2015, resulting in a difference in students served of 3,886.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears to be overstated by 3,886 at five schools tested for the month of October 2015 because these students were not signed out in accordance with the District's early release policy.

Context

The condition identified resulted from our review of Golden Valley Middle, Hunt Elementary, North Park Elementary, Hillside Elementary, and Cole Elementary' attendance records and monthly attendance summary totals for the month of October 2015. Auditor selected five out of fifty-eight schools for the first semi-annual reporting period dated July to December 2015. Auditor reviewed manual sign out rosters for the month of October 2015, and reviewed monthly summaries nothing multiple exceptions as noted above.

Effect

As a result of our testing, the District was not compliant with *Education Code* Section 8483(a)(1) for the 2015-2016 fiscal year since the number of students served as reported to the CDE includes those students who signed out early without a valid reason as required by the early release policy.

Cause

The attendance condition appears to have resulted from the District not following its own early release policy that requires documenting reason for early release of students from the program.

Recommendation

We recommend the District follow its early release policy and ensure the reasons for early release are documented for all the kids leaving early to ensure they can be counted for attendance reporting.

Current Status

Not implemented. Refer to 2017-002 for current year finding.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

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 (the District), for the year ended June 30, 2017, 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 15, 2017 on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Arrowhead Elementary School

Observation

Revenue Potential Forms are not being completed for fundraising activities. Five fundraisers tested had no revenues or expenses recorded on the revenue potential forms.

Recommendation

Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator/ASB club advisor should ensure the form is completed and turned into the bookkeeper at the conclusion of the fundraiser.

E. Neal Roberts Elementary School

Observation

Cash collection sheet inspected for a fundraiser tested didn't indicate person counting the cash and the person verifying the cash. The grand total on the cash count sheet didn't agree to the deposit for the event and was off by $23.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Recommendation

The ASB should ensure all cash collections are counted and verified and show the evidence by signing off on the cash count sheet. It should be reconciled to the deposit amount to ensure there are no discrepancies.

Paakuma' K-8

Observations

1. Proper documentation was not maintained for Student council meetings from July to October and part of November 2016. Auditor was unable to verify the student council approval of eight cash disbursements and three fundraising activities selected for testing.
2. Based on the review of the cash receipting procedures it was noted that two of the 28 receipts tested were not deposited in a timely manner. Delay in deposit was ranged from 21 to 36 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
3. One of 9 disbursements selected for testing was noted to be missing one of the three required approval signatures.

Recommendations

1. Student council minutes should be maintained for every student council meeting clearly documenting the approval of disbursement, fundraising activities, and any other item that requires student council approval.
2. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $200.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommend that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

King Middle School

Observations

1. Based on the review of the cash receipts it was noted that one of the 28 receipts tested was not deposited in a timely manner. Delay in deposit was 28 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. One ticketed event was held during the year where tickets were sold. No proper documentation was maintained to document the reconciliation between tickets sold and cash collected.
3. Perpetual inventory for the PE clothes is not maintained.

Recommendations

1. The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $200.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommend that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.
2. A ticket sales form should be prepared for every event where tickets are used as the main medium of verifying the cash collections. The form should clearly identify the different tickets used and the value of each ticket type. The cash collected should be reconciled to the tickets sold and any significant variances explained.
3. Perpetual Inventory should be maintained and reconciled to periodic physical inventory counts at least annually. Any significant variances must be investigated before the perpetual inventory is adjusted.

Arrowview Middle School

Observation

Revenue Potential Forms are not being fully completed for fundraising activities. Three of the four revenue potentials selected for testing were noted to be incomplete. The Variances were not calculated and explanations for the variances were not noted.

Recommendation

All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potential form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales and an explanation of the difference. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

Cesar Chavez Middle School

Observation

One event was held during the year where tickets were sold. It was noted that the Tickets sales log was not completed accurately. The ticket form was not calculated correctly to reflect the number of tickets sold. All calculations were understated by one ticket. In addition, the site does not maintain a perpetual ticket log to ensure all tickets are accounted for and to ensure the tickets are properly inventoried.

Recommendation

All ticket sales logs should be double checked to ensure they are being prepared accurately. The site should also maintain a perpetual ticket log to ensure all tickets are accounted for and properly inventoried.

Del Vallejo Middle School

Observations

1. Physical inventory counts for the PE clothes are not performed at least annually.
2. It was noted that the reconciliation for the month of November 2016 was not prepared and reviewed in a timely manner. The reconciliation was prepared on March 15, 2017.

Recommendations

1. Physical Inventory counts should be performed at least once a year and reconciled to the perpetual inventory records. Any significant variances must be investigated before the perpetual inventory is adjusted.
2. It is recommended that the reconciliation should be prepared and reviewed in a timely manner to address any variances or issues that might be found so they can be addressed in time.

Serrano Middle School

Observations

1. Revenue Potential Forms are not being completed accurately for fundraising activities. Two of the four revenue potentials selected for testing were noted to have differences that were inaccurately calculated.
2. Perpetual inventory for the PE clothes is not maintained.
3. One of 12 disbursements selected for testing was noted to be missing the principal's approval signature.

Recommendations

1. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator/ASB club advisor should ensure the form is completed and turned into the bookkeeper at the conclusion of the fundraiser.
2. The ASB should ensure a perpetual count is maintained for the PE clothes so that the reconciliation can be performed between physical count and perpetual count and any items missing can be identified and additional security measures can be taken to prevent further lost or missing inventory.
3. Purchase order should be approved through the minutes and signed by all three required individuals before the purchase is made.

Curtis Middle School

Observations

1. Revenue Potential Forms are not being fully completed for fundraising activities. One of the three revenue potentials selected for testing was calculated inaccurately and missing explanations to variances noted.
2. There is a concern over physical safeguards of the inventory as multiple teachers and administrators have access to the locked room where inventory is stored.

Recommendations

1. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future. The site administrator/ASB club advisor should ensure the form is completed and turned into the bookkeeper at the conclusion of the fundraiser.
2. The ASB should ensure that the inventory is kept secured and with a limited access to authorized personnel to prevent lost or stolen items.

Cajon High School

Observation

Significant variances noted through the periodic physical inventory counts are not being properly investigated and addressed. 32 t-shirts were missing and 47 extra shorts were noted during the inventory count performed on 12/18/2016.

Recommendation

Any significant variances from the inventory count to perpetual records should be investigated and addressed to ensure accurate inventory reporting.

San Gorgonio High School

Observations

1. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, six of 40 disbursements were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
2. Auditor noted two out of the three ticket sales reports are not signed by the ticket seller for verification before submission to the student body bookkeeper for deposit of the funds relating to the report.
3. Auditor noted that the student store deposits are not being recorded on a cash count form and witnessed and signed by the student store representative and the witness.

Recommendations

1. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
2. The sales report should be carefully reviewed and signed before it is forwarded to the bookkeeper for verification of funds being deposited and tickets collected.
3. The cash count sheet provides for a reconciliation process of the monies collected. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. A signature will help to decrease the number of disputes arising from deposits processed incorrectly or the amount that was actually deposited.

San Andreas Continuation High School

Observation

Based on the review of the cash receipts it was noted that two out of the 3 deposits tested contained receipts that were not deposited in a timely manner. Delay in deposit was ranged from 13 to 50 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB should adhere to the District's depositing policy which dictates that the ASB should, at a minimum make their deposits once a week or when funds on hand exceed $300.00 to minimize the amount of cash held at the site level. During weeks of high cash activity, there may be a need to make more than one deposit. It is also recommend that the bookkeeper remind the club advisors of the importance of submitting money upon receiving the same day.

San Bernardino High School

Observations

1. One of 25 cash receipts tested had an incomplete cash count form. The signature of the seller and the verification by the bookkeeper areas were not filled out.
2. One of the 25 disbursements tested did not have explicit receiving documentation.
3. Six of the 25 disbursements tested did not have a prior approval.
4. One of 25 disbursements tested was missing an invoice.
5. Three fundraisers tested had a revenue potential form that was incomplete. The actual income and expense weren't filled out.
6. Based on our review of the ASB PE clothes inventory, it appears that the ASB does not maintain a perpetual inventory. As a result, there is a lack of inventory reconciliation between physical count and perpetual count.

Recommendations

1. Cash count form should be signed by the seller and the bookkeeper to ensure the amount of cash collected and submitted is verified by the both parties and prevents any discrepancies.
2. Supporting documentation that indicates that all items ordered were received should be evident. This could be accomplished using a packing slip or through a signature of the person who received the goods. This would mitigate the risk of items being paid for without actually receiving them.
3. In order to ensure proper internal controls over the ASB disbursements, all disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. The ASB should ensure all disbursements have proper invoice and approvals before making payment. Vendor payment shouldn't be approved if there is no invoice to support the transaction. ASB should try to obtain another copy of the invoice from the vendor and ensure that items ordered were received before approving the payment.
5. All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potential form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales and an explanation of the difference. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
6. The ASB should ensure a perpetual count is maintained for the PE clothes so that the reconciliation can be performed between physical count and perpetual count and any items missing can be identified and additional security measures can be taken to prevent further lost or missing inventory.

Pacific High School

Observations

1. During our review the ASB cash receipting procedures, we noted that club advisors are only turning in cash count forms which summarizes the composition of currency denominations being remitted to the bookkeeper. As a result, it appears that the ASB bookkeeper does not have the ability to determine the completeness of the deposits being remitted by club advisors.
2. During review of cash collections process, we noted that advisors deposit count sheets did contain explicit documentation that a count was performed by two individuals.
3. Based on our review of the ASB fundraising procedures, it appears that clubs and ASB advisors are not always completing the required revenue potential forms and or receiving appropriate approvals before fundraising activities commence. Auditor noted three fundraisers did not have the required documentation of preapproval and four fundraisers do not have a completed revenue potential form on file.
4. During review of ticket sales procedures, we noted that the site does not maintain a master ticket log that notes ticket inventory.
5. Auditor noted that five disbursements were made without preapproval before commitment was made with a vendor.
6. Auditor noted that five disbursements didn't have explicit receiving documentation.
7. Auditor noted during review of disbursements that there were excessive amounts of Open Purchase Orders in order to reimbursement ASB advisors for items that could be purchased with a Purchase Order directly from the vendor. Auditor noted total of seven transactions that should have went through normal purchase order procedures. The open purchase orders were broad and didn't list specific items the advisor would be reimbursed for.

Recommendations

1. In order to ensure proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied with proper supporting documentation. Cash collections should be supported by either receipts or log with student name and the amount. This will allow the bookkeeper to trace the cash count form total amount back to the receipts or the log.
2. The cash count sheet provides for a reconciliation process of the monies collected. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. A signature will help to decrease the number of disputes arising from deposits processed incorrectly or the amount that was actually deposited.

3. All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser. In addition, site should make sure that all fundraisers are also preapproved before commencement of the event. This would allow for the fundraiser to be reviewed for allowability and or to determine whether there are any conflicting dates.
4. Site should review current forms and determine whether they are adequate in determining that all necessary information is present in order to perform reconciliation. A master ticket log must also be developed noting all ticket stock and all tickets used during each event.
5. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
6. Supporting documentation that indicates that all items ordered were received should be evident. This could be accomplished using a packing slip or through a signature of the person who received the goods. This would mitigate the risk of items being paid for without actually receiving them.
7. ASB should limit its disbursements to cover a specific scope of activity. By allowing the ASB to create broad open purchase orders that can be used throughout the year, the following risks cannot be mitigated:

    - Failure to monitor club balances which can potentially encroach on other ASB account balances.
    - Potential for unallowable/questionable activity to take place.
    - Student involvement in ASB governance can be significantly reduced or even removed.

    It is recommended that ASB should include specific items that need to be purchased on the purchase orders and those approvals for the disbursements need to be signed by the authorized personnel.

Arroyo Valley High School

Observation

During review of cash collections process, we noted that advisors deposit count sheets did contain explicit documentation that a count was performed by two individuals although two individuals were present during reconciliation process.

Recommendation

The cash count sheet provides for a reconciliation process of the monies collected. A difference between the bookkeepers count and the teacher's or advisor's count would warrant a recount with both parties present. A signature will help to decrease the number of disputes arising from deposits processed incorrectly or the amount that was actually deposited.

Shandin Hills Middle School

Observations

1. During review of the ASB cash receipting procedures, we noted that monies received for the book fair did not have supporting documentation. As a result, the ASB bookkeeper does not have the ability to determine the completeness of the deposits being remitted by club advisors.
2. Auditor noted that the reviewer didn't sign off on the bank reconciliations. The person reviewing the bank reconciliation should sign off on the face of the reconciliation to show a proper and timely review was performed
3. Based on our review of the ASB fundraising procedures, it was noted that two fundraisers tested did not have a completed revenue potential form on file.

Recommendations

1. In order to ensure proper internal controls over the ASB deposits, the site should ensure that all deposits are accompanied with proper supporting documentation. Cash collections should be supported by either receipts or log with student name and the amount. This will allow the bookkeeper to trace the cash count form total amount back to the receipts or the log.
2. In order to have proper segregation of duties, it is required that an individual that is not preparing the bank reconciliations and financial statements is reviewing and signing off on statements. It is vital to the review process that the preparer is separate from the actual person depositing and generating checks from the clearing account.
3. All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

Indian Springs High School

Observations

1. Based on the review of the disbursement procedures, it was noted that four of the 25 disbursements tested were not approved prior to transactions taking place. We also noted one of the 25 disbursements had no purchase order on file. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
2. Based on our review of the ASB fundraising procedures, it was noted that one of the two fundraisers tested did not have a completed revenue potential form on file.
3. Auditor noted that site does not have proper controls over securing ticket rolls. The ticket rolls for the two events tested were not properly locked up in a safe.

Governing Board
San Bernardino City Unified School District

Recommendations

1. In order to ensure proper internal controls over the ASB disbursements, all disbursements should be pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
2. All revenue potentials must be completely filled out before and at the end of each fundraiser. The revenue potentials form is important because it demonstrates the profitability of a fundraising activity. The form is also used to document any variances between projected to actual sales. The form also requires an explanation of any overages/shortages between sales receipted to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.
3. The ticket rolls should be kept safe in a locked cabinet to prevent unauthorized use which could lead to loss in revenues.

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2017