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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2015**

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***

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## 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, 2015, 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 *2014-2015 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.

## ***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, 2015, 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.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and 17 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 12 and budgetary comparison, other postemployment benefit information, District net pension liability, and District contribution on pages 75 through 78, respectively, 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 non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on 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 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, 2015, 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 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 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.

*Vavrinik, Irino, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015

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, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### District-Wide Financial Statements

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net 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.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

**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 3.1 percent or \$14.0 million. Most of this decline in the District's financial position came from its governmental activities, the net position of which declined by \$13.4 million to \$425.8 million. The net position of the District's business-type activities decreased by \$0.6 million to \$18.1 million.

**Table A-1**

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2014		2015	2014	2014	
	2015	as restated			2015	as restated
<b>Assets</b>						
Current and other assets	\$ 281.2	\$ 337.8	\$ 13.2	\$ 13.0	\$ 294.4	\$ 350.8
Capital assets	952.1	926.8	5.2	5.9	957.3	932.7
<b>Total Assets</b>	<b>1,233.3</b>	<b>1,264.6</b>	<b>18.4</b>	<b>18.9</b>	<b>1,251.7</b>	<b>1,283.5</b>
<b>Deferred Outflows of Resources</b>	<b>42.8</b>	<b>34.5</b>	<b>-</b>	<b>-</b>	<b>42.8</b>	<b>34.5</b>
<b>Liabilities</b>						
Current liabilities	78.8	91.8	0.3	0.2	79.1	92.0
Long-term obligations	327.6	334.7	-	-	327.6	334.7
Aggregate net pension liability	349.9	433.4			349.9	433.4
<b>Total Liabilities</b>	<b>756.3</b>	<b>859.9</b>	<b>0.3</b>	<b>0.2</b>	<b>756.6</b>	<b>860.1</b>
<b>Deferred Inflows of Resources</b>	<b>94.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94.0</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	742.8	733.9	5.2	5.9	748.0	739.8
Restricted	104.7	125.3	12.9	12.8	117.6	138.1
Unrestricted	(421.7)	(420.0)	-	-	(421.7)	(420.0)
<b>Total Net Position</b>	<b>\$ 425.8</b>	<b>\$ 439.2</b>	<b>\$ 18.1</b>	<b>\$ 18.7</b>	<b>\$ 443.9</b>	<b>\$ 457.9</b>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### Changes in Net Position

The District's total revenues increased by \$19.6 million (see Table A-2). State and Federal aid for specific programs contributed about 25.0 cents of every dollar raised. Another 71.3 cents of every dollar raised came from property taxes and State and Federal formula aid, and the remainder from fees charged for services and miscellaneous sources.

**Table A-2**

(Amounts in millions)	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5.0	\$ 2.2	\$ 1.2	\$ 1.4	\$ 6.2	\$ 3.6
Operating grants and contributions	124.5	134.0	28.0	27.8	152.5	161.8
Capital grants and contributions	-	29.8	-	-	-	29.8
General revenues:						
Federal and State unrestricted	393.4	334.2	-	-	393.4	334.2
Property taxes	44.1	42.7	-	-	44.1	42.7
Other general revenues	13.3	17.8	-	-	13.3	17.8
<b>Total Revenues</b>	<b>580.3</b>	<b>560.7</b>	<b>29.2</b>	<b>29.2</b>	<b>609.5</b>	<b>589.9</b>
<b>Expenses</b>						
Instruction-related	428.3	382.1	-	-	428.3	382.1
Pupil services	53.8	47.4	-	-	53.8	47.4
Administration	22.5	20.2	-	-	22.5	20.2
Plant services	67.7	63.9	-	-	67.7	63.9
Other	21.5	21.5	29.8	30.3	51.3	51.8
<b>Total Expenses</b>	<b>593.8</b>	<b>535.1</b>	<b>29.8</b>	<b>30.3</b>	<b>623.6</b>	<b>565.4</b>
<b>Change in Net Position</b>	<b>\$ (13.5)</b>	<b>\$ 25.6</b>	<b>\$ (0.6)</b>	<b>\$ (1.1)</b>	<b>\$ (14.1)</b>	<b>\$ 24.5</b>

The total cost of all programs and services increased by \$58.2 million. The District's expenses are predominantly related to educating and caring for students (77.3 percent). The purely administrative activities of the District accounted for just 3.6 percent of total costs.

Total expenses surpassed revenues, decreasing net position by \$14.1 million over last year. Both the governmental and business-type activities contributed to the District's decrease in net position.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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### Governmental Activities

Revenues for the District's governmental activities were \$580.3 million, whereas total expenses were \$593.8 million. The decrease in net position for governmental activities occurred due to an overall decrease in expenses.

- Some of the District's activities (\$5.0 million) 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 (\$124.5 million). See Table A-2.

### Business-Type Activities

Revenues of the District's business-type activities were \$29.2 million, and expenses were \$29.8 million. (Refer to Table A-2)

### Net Cost of Services

Table A-3 presents the costs of major District governmental activities: instruction, instruction-related activities, home-to-school transportation, other pupil services (guidance, counseling, and evaluation), general administration, 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 (\$464.3 million) were financed by District taxpayers and the taxpayers of our State.
- This portion of governmental activities was financed with \$44.1 million in property taxes, and \$393.4 million of unrestricted State and Federal aid based on the State-wide education aid formula. See Table A-2.

**Table A-3**

(Amounts in millions)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$ 351.0	\$ 315.9	\$ 268.1	\$ 194.3
Instruction-related activities	77.3	66.2	58.3	47.5
Home-to-school transportation	16.8	15.6	16.8	15.6
Other pupil services	37.0	31.8	28.7	23.8
Administration	22.5	20.2	16.4	14.5
Plant services	67.7	63.9	67.1	63.6
Other	21.5	21.5	8.9	9.9
<b>Total</b>	<b>\$ 593.8</b>	<b>\$ 535.1</b>	<b>\$ 464.3</b>	<b>\$ 369.2</b>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### 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 \$168.9 million, a decrease of 22.8 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 decreased in fund balance by \$2.4 million. The District continues to meet the State required two percent fund balance reserve for Economic Uncertainties.

**Table A-4**

(Amounts in millions)	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 56.1	\$ 550.0	\$ 552.4	\$ 53.7
Building Fund	67.4	5.2	30.0	42.6
County School Facilities Fund	57.0	0.2	20.2	37.0
Adult Education Fund	-	2.2	2.0	0.2
Child Development Fund	0.5	8.7	9.1	0.1
Capital Facilities Fund	18.9	4.5	8.4	15.0
Special Reserve Fund for Capital Outlay Projects	2.1	4.5	2.6	4.0
Capital Projects Fund for Blended Component Units	0.6	-	0.6	-
Bond Interest and Redemption	16.3	42.3	42.3	16.3
<b>Total</b>	<b>\$ 218.9</b>	<b>\$ 617.6</b>	<b>\$ 667.6</b>	<b>\$ 168.9</b>

### General Fund Budgetary Highlights

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

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$15.1 million and the actual results for the year show expenditures exceeding revenues by \$4.4 million.

- Actual revenues were \$26.2 million higher than expected, due primarily to higher State sources.
- The actual expenditures were \$15.5 million over budget, due primarily to on behalf payments.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

By the end of 2015, the District had invested \$957.3 million in a broad range of capital assets, including school facilities and equipment. Total depreciation expense for the year was \$15.4 million. (More detailed information about capital assets can be found in Note 4 to the financial statements.)

**Table A-5**

(Amounts in millions)	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and construction in process	\$ 502.5	\$ 557.8	\$ -	\$ -	\$ 502.5	\$ 557.8
Buildings and improvements	441.9	361.6	3.8	4.3	445.7	365.9
Equipment	7.7	7.4	1.4	1.6	9.1	9.0
<b>Total</b>	<b>\$ 952.1</b>	<b>\$ 926.8</b>	<b>\$ 5.2</b>	<b>\$ 5.9</b>	<b>\$ 957.3</b>	<b>\$ 932.7</b>

#### Long-Term Obligations

At year-end, the District had \$327.6 million in long-term obligations decreasing last year's balance by \$7.1 million.

**Table A-6**

(Amounts in millions)	Governmental Activities	
	2015	2014
General obligation bonds - net (financed with property taxes)	\$ 227.4	\$ 234.8
Certificates of participation - net	52.7	52.6
Capital lease obligations	1.5	-
Accumulated vacation	1.0	0.9
Claims liability	17.1	14.8
SELF assessment	2.4	2.7
Supplemental early retirement plan (SERP)	6.5	12.7
Other postemployment benefits (OPEB)	19.0	16.2
<b>Total</b>	<b>\$ 327.6</b>	<b>\$ 334.7</b>

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

# **SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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### **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 (0.8 increase in 2014-2015) will not increase significantly during fiscal year 2015-2016.
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, 2015

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Deposits and investments	\$ 246,990,440	\$ 11,799,007	\$ 258,789,447
Receivables	27,667,109	2,976,683	30,643,792
Internal balances	2,297,622	(2,297,622)	-
Prepaid expenses	4,030,850	-	4,030,850
Stores inventories	243,414	785,151	1,028,565
Capital assets			
Land and construction in process	502,459,218	-	502,459,218
Other capital assets	648,600,466	16,428,704	665,029,170
Less: Accumulated depreciation	(199,001,733)	(11,249,756)	(210,251,489)
Total Capital Assets	<u>952,057,951</u>	<u>5,178,948</u>	<u>957,236,899</u>
<b>Total Assets</b>	<u>1,233,287,386</u>	<u>18,442,167</u>	<u>1,251,729,553</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	8,078,572	-	8,078,572
Net change in proportionate share of net pension liability	3,710,560	-	3,710,560
Current year pension contribution	31,001,680	-	31,001,680
<b>Total Deferred Outflows of Resources</b>	<u>42,790,812</u>	<u>-</u>	<u>42,790,812</u>
<b>LIABILITIES</b>			
Accounts payable	72,961,928	273,663	73,235,591
Accrued interest payable	4,741,960	-	4,741,960
Unearned revenue	1,161,331	38,333	1,199,664
Long-term obligations			
Current portion of long-term obligations other than pensions	16,054,413	-	16,054,413
Noncurrent portion of long-term obligations other than pensions	311,547,545	-	311,547,545
Total Long-Term Obligations	<u>327,601,958</u>	<u>-</u>	<u>327,601,958</u>
Aggregate net pension liability	349,872,287	-	349,872,287
<b>Total Liabilities</b>	<u>756,339,464</u>	<u>311,996</u>	<u>756,651,460</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Differences between projected and actual earnings on pension plan investments	93,970,950	-	93,970,950
<b>NET POSITION</b>			
Net investment in capital assets	742,748,990	5,178,948	747,927,938
Restricted for:			
Debt service	11,215,536	-	11,215,536
Capital projects	52,018,257	-	52,018,257
Educational programs	22,638,393	-	22,638,393
Other activities	18,838,886	12,951,223	31,790,109
Unrestricted	(421,692,278)	-	(421,692,278)
<b>Total Net Position</b>	<u>\$ 425,767,784</u>	<u>\$ 18,130,171</u>	<u>\$ 443,897,955</u>

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, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 350,989,655	\$ 667,775	\$ 82,246,819	\$ 31,399
Instruction-related activities:				
Supervision of instruction	25,472,619	277,412	9,584,236	-
Instructional library, media, and technology	2,987,167	-	186,709	-
School site administration	48,837,279	20,756	8,884,692	-
Pupil services:				
Home-to-school transportation	16,810,314	-	-	-
All other pupil services	36,978,145	80,464	8,221,268	-
Administration:				
Data processing	6,256,751	-	-	-
All other administration	16,264,935	63,984	6,044,388	-
Plant services	67,751,310	246,995	407,511	-
Community services	8,975,705	208,863	6,270,203	-
Interest on long-term obligations	11,611,026	-	-	-
Other outgo	899,646	3,385,310	2,693,937	-
<b>Total Governmental Activities</b>	<b>593,834,552</b>	<b>4,951,559</b>	<b>124,539,763</b>	<b>31,399</b>
<b>Business-Type Activities</b>				
Food services	29,826,602	1,227,426	28,041,556	-
<b>Total School District</b>	<b>\$ 623,661,154</b>	<b>\$ 6,178,985</b>	<b>\$ 152,581,319</b>	<b>\$ 31,399</b>

**General revenues and subventions:**

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

**Subtotal, General Revenues**

**Change in Net Position**

- Net Position - Beginning, as restated
- Net Position - Ending

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

**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (268,043,662)	\$ -	\$ (268,043,662)
(15,610,971)	-	(15,610,971)
(2,800,458)	-	(2,800,458)
(39,931,831)	-	(39,931,831)
(16,810,314)	-	(16,810,314)
(28,676,413)	-	(28,676,413)
(6,256,751)	-	(6,256,751)
(10,156,563)	-	(10,156,563)
(67,096,804)	-	(67,096,804)
(2,496,639)	-	(2,496,639)
(11,611,026)	-	(11,611,026)
5,179,601	-	5,179,601
(464,311,831)	-	(464,311,831)
-	(557,620)	(557,620)
(464,311,831)	(557,620)	(464,869,451)
24,176,558	-	24,176,558
14,625,392	-	14,625,392
5,337,744	-	5,337,744
393,378,522	-	393,378,522
511,271	1,133	512,404
12,772,612	10,130	12,782,742
450,802,099	11,263	450,813,362
(13,509,732)	(546,357)	(14,056,089)
439,277,516	18,676,528	457,954,044
\$ 425,767,784	\$ 18,130,171	\$ 443,897,955

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2015**

	<b>General Fund</b>	<b>Building Fund</b>	<b>County Schools Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 92,745,257	\$ 46,520,568	\$ 38,148,323
Receivables	26,360,985	46,572	36,117
Due from other funds	3,749,593	58,317	823
Prepaid expenditures	4,030,850	-	-
Stores inventories	243,414	-	-
<b>Total Assets</b>	<b>\$ 127,130,099</b>	<b>\$ 46,625,457</b>	<b>\$ 38,185,263</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 65,178,116	\$ 3,872,995	\$ 1,061,867
Due to other funds	7,418,177	132,158	144,727
Unearned revenue	873,085	-	-
<b>Total Liabilities</b>	<b>73,469,378</b>	<b>4,005,153</b>	<b>1,206,594</b>
<b>Fund Balances:</b>			
Nonspendable	4,485,264	-	-
Restricted	22,638,393	42,620,304	36,978,669
Assigned	11,707,988	-	-
Unassigned	14,829,076	-	-
<b>Total Fund Balances</b>	<b>53,660,721</b>	<b>42,620,304</b>	<b>36,978,669</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 127,130,099</b>	<b>\$ 46,625,457</b>	<b>\$ 38,185,263</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 37,130,936	\$ 214,545,084
1,192,374	27,636,048
1,601,836	5,410,569
-	4,030,850
-	243,414
<u>\$ 39,925,146</u>	<u>\$ 251,865,965</u>

\$ 2,529,327	\$ 72,642,305
1,460,165	9,155,227
288,246	1,161,331
<u>4,277,738</u>	<u>82,958,863</u>
-	4,485,264
31,489,647	133,727,013
4,157,761	15,865,749
-	14,829,076
<u>35,647,408</u>	<u>168,907,102</u>
<u>\$ 39,925,146</u>	<u>\$ 251,865,965</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 168,907,102</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
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:	\$ 1,151,059,684
Accumulated depreciation is:	<u>(199,001,733)</u>
Net Capital Assets	952,057,951
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, 2015.	8,078,572
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	3,710,560
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	31,001,680
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.	18,726,232
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(4,741,960)
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(93,970,950)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the fund.	(349,872,287)
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.	

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, 2015

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Long-term obligations at year-end consist of:

Bonds payable	\$ 187,340,883	
Unamortized premium on issuance	20,013,037	
Certificates of participation	53,080,000	
Unamortized discount on issuance	(426,063)	
Capital lease obligations	1,523,447	
Compensated absences (vacations)	1,012,327	
Other postemployment benefits (OPEB)	19,043,811	
Supplemental early retirement (SERP)	6,476,436	
In addition, the District issues "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bond to date is:	<u>20,065,238</u>	
Total Long-Term Obligations		\$ (308,129,116)
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 425,767,784</u></b>

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, 2015

	General Fund	Building Fund	County Schools Facilities Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 404,554,217	\$ -	\$ -
Federal sources	45,544,060	1,300,418	-
Other State sources	79,198,489	-	(162,300)
Other local sources	17,390,095	236,783	411,020
<b>Total Revenues</b>	<b>546,686,861</b>	<b>1,537,201</b>	<b>248,720</b>
<b>EXPENDITURES</b>			
Current			
Instruction	333,119,516	-	-
Instruction-related activities:			
Supervision of instruction	25,238,172	-	-
Instructional library, media, and technology	2,983,860	-	-
School site administration	48,503,266	-	-
Pupil services:			
Home-to-school transportation	16,829,734	-	-
All other pupil services	36,688,358	-	-
Administration:			
Data processing	6,315,204	-	-
All other administration	21,418,911	-	-
Plant services	52,789,056	-	-
Facility acquisition and construction	2,107,483	27,591,090	16,166,134
Community services	1,233,138	-	-
Other outgo	706,933	-	-
Debt service			
Principal	1,760,588	-	-
Interest and other	1,346,198	2,281,001	-
<b>Total Expenditures</b>	<b>551,040,417</b>	<b>29,872,091</b>	<b>16,166,134</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(4,353,556)</b>	<b>(28,334,890)</b>	<b>(15,917,414)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	74,785	3,678,157	4,510
Other sources - proceeds from issuance of general obligation refunding bonds	-	-	-
Other sources - premium on issuance of general obligation refunding bonds	-	-	-
Other sources - capital lease	3,284,035	-	-
Transfers out	(1,412,608)	(114,872)	(4,079,039)
Other uses - payment to refunded general obligation bonds escrow agent	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>1,946,212</b>	<b>3,563,285</b>	<b>(4,074,529)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,407,344)</b>	<b>(24,771,605)</b>	<b>(19,991,943)</b>
<b>Fund Balances - Beginning</b>	<b>56,068,065</b>	<b>67,391,909</b>	<b>56,970,612</b>
<b>Fund Balances - Ending</b>	<b>\$ 53,660,721</b>	<b>\$ 42,620,304</b>	<b>\$ 36,978,669</b>

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

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 404,554,217
2,248,506	49,092,984
7,012,272	86,048,461
20,902,859	38,940,757
<u>30,163,637</u>	<u>578,636,419</u>
1,943,236	335,062,752
176,677	25,414,849
-	2,983,860
301,849	48,805,115
-	16,829,734
510	36,688,868
-	6,315,204
595,020	22,013,931
231,515	53,020,571
8,392,979	54,257,686
7,766,497	8,999,635
192,713	899,646
7,710,000	9,470,588
7,719,444	11,346,643
<u>35,030,440</u>	<u>632,109,082</u>
<u>(4,866,803)</u>	<u>(53,472,663)</u>
4,536,271	8,293,723
24,705,000	24,705,000
2,791,906	2,791,906
-	3,284,035
(2,687,204)	(8,293,723)
<u>(27,291,020)</u>	<u>(27,291,020)</u>
<u>2,054,953</u>	<u>3,489,921</u>
<u>(2,811,850)</u>	<u>(49,982,742)</u>
<u>38,459,258</u>	<u>218,889,844</u>
<u>\$ 35,647,408</u>	<u>\$ 168,907,102</u>



**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (49,982,742)**

**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 capital outlay exceeds depreciation in the period.

Capital outlays	\$ 39,785,294	
Depreciation expense	<u>(14,532,221)</u>	
Net Expense Adjustment		25,253,073

Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (24,890)

Some of the capital assets acquired this year were financed with capital leases. The amount finances for the lease is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (3,284,035)

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 \$168,642. Additionally, payments for supplemental early incentive program amounted to \$6,225,241. 6,056,599

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. (1,693,088)

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. (2,810,985)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. This year the District issued the following:  
 2014 General obligation refunding bonds (24,705,000)

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

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2015**

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Governmental funds report the effects of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:

Premium on issuance	\$ (2,791,906)
Deferred charges on refunding	136,020

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	34,865,000
Capital lease obligations	1,760,588

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	\$ 3,644,998
Amortization of debt discount	(39,944)
Amortization of deferred charges on refunding	(625,375)
Combined Adjustment	2,979,679

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 decreased \$379,889, and second, \$3,623,951 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(3,244,062)

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.

3,976,017

**Change in Net Position of Governmental Activities**

**\$ (13,509,732)**

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

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Food Service</b>	
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 11,799,007	\$ 32,445,356
Receivables	2,976,683	31,061
Due from other funds	-	6,057,062
Stores inventories	785,151	-
<b>Total Current Assets</b>	<b>15,560,841</b>	<b>38,533,479</b>
<b>Noncurrent Assets</b>		
Capital assets	16,428,704	-
Less: accumulated depreciation	(11,249,756)	-
<b>Total Noncurrent Assets</b>	<b>5,178,948</b>	<b>-</b>
<b>Total Assets</b>	<b>20,739,789</b>	<b>38,533,479</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	273,663	319,623
Due to other funds	2,297,622	14,782
Unearned revenue	38,333	-
Current portion of claims liability	-	3,423,195
Current portion of SELF assessment	-	301,316
<b>Total Current Liabilities</b>	<b>2,609,618</b>	<b>4,058,916</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of claims liability and assessment	-	15,748,331
<b>NET POSITION</b>		
Net investment in capital assets	5,178,948	-
Restricted	12,951,223	18,726,232
<b>Total Net Position</b>	<b>\$ 18,130,171</b>	<b>\$ 18,726,232</b>

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, 2015**

	<b>Business-Type Activities Enterprise Fund Food Service</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 11,799,007	\$ 32,445,356
Receivables	2,976,683	31,061
Due from other funds	-	6,057,062
Stores inventories	785,151	-
<b>Total Current Assets</b>	<b>15,560,841</b>	<b>38,533,479</b>
<b>Noncurrent Assets</b>		
Capital assets	16,428,704	-
Less: accumulated depreciation	(11,249,756)	-
<b>Total Noncurrent Assets</b>	<b>5,178,948</b>	<b>-</b>
<b>Total Assets</b>	<b>20,739,789</b>	<b>38,533,479</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	273,663	319,623
Due to other funds	2,297,622	14,782
Unearned revenue	38,333	-
Current portion of claims liability	-	3,423,195
Current portion of SELF assessment	-	301,316
<b>Total Current Liabilities</b>	<b>2,609,618</b>	<b>4,058,916</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of claims liability and assessment	-	15,748,331
<b>NET POSITION</b>		
Net investment in capital assets	5,178,948	-
Restricted	12,951,223	18,726,232
<b>Total Net Position</b>	<b>\$ 18,130,171</b>	<b>\$ 18,726,232</b>

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, 2015

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Food Service</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 1,282,758	\$ -
Cash receipts from interfund services provided	-	8,605,550
Other operating cash receipts	-	129,012
Cash payments to other suppliers of goods or services	(15,140,219)	-
Cash payments to employees for services	(12,040,711)	(525,098)
Cash payments for insurance claims	-	(4,355,726)
Other operating cash payments	(1,544,381)	-
Net Cash Provided (Used) by Operating Activities	<u>(27,442,553)</u>	<u>3,853,738</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating grants received	<u>28,041,556</u>	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	<u>(135,967)</u>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>1,133</u>	<u>119,942</u>
Net Increase in Cash and Cash Equivalents	464,169	3,973,680
Cash and Cash Equivalents - Beginning	11,334,838	28,471,676
Cash and Cash Equivalents - Ending	<u>\$ 11,799,007</u>	<u>\$ 32,445,356</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (28,589,046)	\$ 3,856,075
Adjustments to reconcile operating income (loss) to net cash provided (used) for operating activities:		
Depreciation	873,741	-
Changes in assets and liabilities:		
Receivables	(440,268)	130,489
Due from other fund	44,428	(2,117,981)
Inventories	114,829	-
Accounts payables	112,721	10,162
Due to other fund	431,197	3,724
Unearned revenue	9,845	-
Claims liability and assessment	-	1,971,269
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (27,442,553)</u>	<u>\$ 3,853,738</u>
<b>NONCASH, NONCAPITAL FINANCING ACTIVITIES</b>		

During the year, the District received \$1,938,669 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, 2015

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	<u>Scholarship Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Deposits and investments	\$ 392,321	\$ 1,389,821
Receivables	350	96,750
Stores inventories	-	15,910
<b>Total Assets</b>	<u>392,671</u>	<u>\$ 1,502,481</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 23,042
Due to student groups	-	1,479,439
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 1,502,481</u>
<b>NET POSITION</b>		
Held in reserve for scholarships	<u>392,671</u>	
<b>Total Net Position</b>	<u>\$ 392,671</u>	

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, 2015**

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	<u>Scholarship Trust</u>
<b>ADDITIONS</b>	
Interest	\$ 1,558
<b>Change in Net Position</b>	1,558
<b>Net Position - Beginning</b>	<u>391,113</u>
<b>Net Position - Ending</b>	<u>\$ 392,671</u>

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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 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 schools.

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

#### Component Units

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

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

#### Other Related Entities

**Charter School** The District has approved Charters for PAL Academy, Public Safety Academy, ASA Charter, Casa Ramona Academy, Options for Youth - San Bernardino, New Vision Middle, Academy of the Inland Empire, Center for Learning and Unlimited Educational Success, Hardy Brown College Prep, Excel Prep Charter, SOAR Charter Academy, Taft T. Newman Leadership Academy, and Woodward Leadership Academy pursuant to *Education Code* Section 47605.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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.

**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 1A), 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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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, self-insurance activity related to 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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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, 2015, 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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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 unamortized loss on the refunding of general obligation bonds, for the unamortized amount on net change in proportionate share of net pension liability and for the current year pension contributions.

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 the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### 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, 2015, 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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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**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 \$117,662,295 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.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$407,437,909. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement 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*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments 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 with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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 scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 246,990,440
Business-type activities	11,799,007
Fiduciary funds	1,782,142
Total Deposits and Investments	<u><u>\$ 260,571,589</u></u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 1,321,182
Cash in revolving	520,405
Investments	258,730,002
Total Deposits and Investments	<u><u>\$ 260,571,589</u></u>

#### Policies and Practices

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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**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 Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Average Maturity in Days</u>
San Bernardino County Investment Pool	\$ 246,798,773	\$ 246,974,460	344
US Bank Money Market Mutual Fund	-	-	
Wells Fargo Advantage Cash Investment Money Market Funds	1,552,204	1,552,204	18
Wells Fargo Advantage Repurchase Agreement Overland Express Sweep Account	10,379,025	10,379,025	
Total	<u>\$ 258,730,002</u>	<u>\$ 258,905,689</u>	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the San Bernardino County Investment Pool and the Wells Fargo Advantage Money Market Mutual Funds are rated Aaa by Moody's Investor Service. The Wells Fargo Advantage Repurchase Agreement Overland Express Sweep Account is not rated.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$273,926 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 \$983,743 held by other financial institutions was exposed to custodial credit risk because it was uninsured and uncollateralized.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2015, 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	\$ 10,152,072	\$ -	\$ -	\$ 635,853
State Government				
LCFF apportionment	6,518,671	-	-	-
Categorical aid	1,225,967	-	-	311,130
Lottery	4,526,091	-	-	-
Special Education	1,377,519	-	-	-
Local Government				
Interest	80,004	46,370	36,117	20,518
Other Local Sources				
Other	2,480,661	202	-	224,873
Total	<u>\$ 26,360,985</u>	<u>\$ 46,572</u>	<u>\$ 36,117</u>	<u>\$ 1,192,374</u>

  

	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Federal Government				
Categorical aid	\$ -	\$ 10,787,925	\$ 2,684,944	\$ -
State Government				
LCFF apportionment	-	6,518,671	-	-
Categorical aid	-	1,537,097	256,895	-
Lottery	-	4,526,091	-	-
Special Education	-	1,377,519	-	-
Local Government				
Interest	28,785	211,794	-	350
Other Local Sources				
Other	2,276	2,708,012	34,844	96,750
Total	<u>\$ 31,061</u>	<u>\$ 27,667,109</u>	<u>\$ 2,976,683</u>	<u>\$ 97,100</u>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 32,151,833	\$ -	\$ -	\$ 32,151,833
Construction in process	525,666,134	27,939,812	83,298,561	470,307,385
Total Capital Assets Not Being Depreciated	557,817,967	27,939,812	83,298,561	502,459,218
Capital Assets Being Depreciated				
Land improvements	43,149,684	6,391,243	-	49,540,927
Buildings and improvements	479,336,677	86,749,938	-	566,086,615
Furniture and equipment	31,182,995	2,002,862	212,933	32,972,924
Total Capital Assets Being Depreciated	553,669,356	95,144,043	212,933	648,600,466
Less Accumulated Depreciation				
Land improvements	33,807,317	1,012,195	-	34,819,512
Buildings and improvements	127,089,364	11,813,115	-	138,902,479
Furniture and equipment	23,760,874	1,706,911	188,043	25,279,742
Total Accumulated Depreciation	184,657,555	14,532,221	188,043	199,001,733
Governmental Activities Capital Assets, Net	\$ 926,829,768	\$ 108,551,634	\$ 83,323,451	\$ 952,057,951
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 8,841,937	\$ -	\$ -	\$ 8,841,937
Furniture and equipment	6,433,205	135,967	-	6,569,172
Vehicles	1,017,595	-	-	1,017,595
Total Capital Assets Being Depreciated	16,292,737	135,967	-	16,428,704
Less Accumulated Depreciation				
Buildings and improvements	4,582,852	443,387	-	5,026,239
Furniture and equipment	4,997,297	352,891	-	5,350,188
Vehicles	795,866	77,463	-	873,329
Total Accumulated Depreciation	10,376,015	873,741	-	11,249,756
Business-Type Activities Capital Assets, Net	\$ 5,916,722	\$ (737,774)	\$ -	\$ 5,178,948

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

**Governmental Activities**

Instruction	\$ 13,078,998
All other pupil services	1,017,256
All other general administration	290,645
Plant services	145,322
Total Depreciation Expenses Governmental Activities	14,532,221

**Business-Type Activities**

Food services	873,741
Total Depreciation Expenses All Activities	\$ 15,405,962

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds, enterprise funds, and internal service funds, are as follows:

Due To	Due From						Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Food Service Enterprise	
General Fund	\$ -	\$ 117,264	\$ 15,330	\$ 1,304,595	\$ 14,782	\$ 2,297,622	\$ 3,749,593
Building Fund	-	-	58,317	-	-	-	58,317
County Schools							
Facilities Fund	-	823	-	-	-	-	823
Non-Major							
Governmental Funds	1,519,258	10,680	71,080	818	-	-	1,601,836
Internal Service Fund	5,898,919	3,391	-	154,752	-	-	6,057,062
Total	\$ 7,418,177	\$ 132,158	\$ 144,727	\$ 1,460,165	\$ 14,782	\$ 2,297,622	\$ 11,467,631

The balance of \$2,297,622 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 \$1,408,171 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from operating contributions.

The balance of \$5,898,919 due to the Internal Service Fund from the General Fund resulted from the transfer of designated funds reserved for retiree health and welfare benefits.

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.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ 74,785	\$ -	\$ 74,785
Building Fund	-	-	1,718,497	1,959,660	3,678,157
County Schools Facilities Fund	876	-	-	3,634	4,510
Non-Major Governmental Funds	1,411,732	114,872	2,285,757	723,910	4,536,271
Total	<u>\$1,412,608</u>	<u>\$ 114,872</u>	<u>\$ 4,079,039</u>	<u>\$ 2,687,204</u>	<u>\$ 8,293,723</u>

The General Fund transferred qualified capital outlay expenditures to the County Schools Facilities Fund.	\$ 876
The General Fund transferred to the Child Development Non-Major Governmental Fund for operating contributions.	1,408,171
The General Fund transferred qualified capital outlay expenditures to the Capital Facilities Non-Major Governmental Fund.	1,992
The General Fund transferred qualified capital outlay expenditures to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects.	1,569
The Building Fund transferred qualified capital outlay expenditures to the Capital Facilities Non-Major Governmental Fund.	114,872
The County Schools Facilities Fund transferred qualified capital outlay expenditures to the following funds:	
General Fund	74,785
Building Fund	1,718,497
Special Reserve Non-Major Governmental Fund for Capital Outlay Projects	2,285,757
The Capital Facilities Non-Major Governmental Fund transferred qualified capital outlay expenditures to the following funds:	
Building Fund	1,929,541
County School Facilities Fund	3,634
Special Reserve Non-Major Governmental Fund for Capital Outlay Projects	159,521
The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred qualified capital outlay expenditures to the following funds:	
Building Fund	30,119
Special Reserve Non-Major Governmental Fund for Capital Outlay Projects	564,389
Total	<u>\$ 8,293,723</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	County Schools Facilities Fund	Non-Major Governmental Funds
Accrued salaries and benefits	\$ 38,833,744	\$ 8,836	\$ -	\$ 785,003
LCFF apportionment	4,164,429	-	-	-
Books and supplies	3,871,472	-	-	233,362
Services and other operating	16,600,929	364,054	90,139	146,229
Construction	1,073,583	3,500,105	847,594	1,364,733
Other vendor payables	633,959	-	124,134	-
Total	<u>\$ 65,178,116</u>	<u>\$ 3,872,995</u>	<u>\$ 1,061,867</u>	<u>\$ 2,529,327</u>

  

	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Funds
Accrued salaries and benefits	\$ 3,205	\$ 39,630,788	\$ -	\$ -
LCFF apportionment	-	4,164,429	-	-
Books and supplies	-	4,104,834	200,367	-
Services and other operating	315,246	17,516,597	73,296	-
Construction	-	6,786,015	-	-
Other vendor payables	1,172	759,265	-	23,042
Total	<u>\$ 319,623</u>	<u>\$ 72,961,928</u>	<u>\$ 273,663</u>	<u>\$ 23,042</u>

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund
Federal financial assistance	\$ 488,327	\$ -	\$ 488,327	\$ -
State categorical aid	52,611	35,788	88,399	-
Other local	332,147	252,458	584,605	38,333
Total	<u>\$ 873,085</u>	<u>\$ 288,246</u>	<u>\$ 1,161,331</u>	<u>\$ 38,333</u>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued \$23,915,000 of Tax Revenue Anticipation Notes dated February 25, 2014, through the California School Cash Reserve Program Authority. The notes matured on October 1, 2014, with an interest rate of 2.00 percent. The notes were sold to supplement cash flow. Repayment requirements were that a percentage of principal and interest be deposited with the Fiscal Agent until 100 percent of principal and interest due was on account in October 2014. As of June 30, 2015, the District has defeased the debt.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding			Outstanding
			July 1, 2014	Additions	Payments	June 30, 2015
2/25/2014	2.00%	10/1/2014	\$ 23,915,000	\$ -	\$ 23,915,000	\$ -
			\$ 23,915,000	\$ -	\$ 23,915,000	\$ -

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance			Balance June 30, 2015	Due in One Year
	July 1, 2014	Additions	Deductions		
General obligation bonds	\$ 213,942,170	\$ 28,328,951	\$ 34,865,000	\$ 207,406,121	\$ 7,710,000
Premium on issuance	20,866,129	2,791,906	3,644,998	20,013,037	-
2011 Certificates of Participation	53,080,000	-	-	53,080,000	-
Discount on issuance	(466,007)	-	(39,944)	(426,063)	-
Capital lease obligations	-	3,284,035	1,760,588	1,523,447	1,155,701
Accumulated vacation - net	843,685	168,642	-	1,012,327	-
Claims liability	14,790,339	5,695,100	3,423,195	17,062,244	3,423,195
SELF assessment	2,711,234	680	301,316	2,410,598	301,316
Supplemental early retirement plan (SERP)	12,701,677	-	6,225,241	6,476,436	3,464,201
Other postemployment benefits (OPEB)	16,232,826	6,524,847	3,713,862	19,043,811	-
<b>Total</b>	<b>\$ 334,702,053</b>	<b>\$ 46,794,161</b>	<b>\$ 53,894,256</b>	<b>\$ 327,601,958</b>	<b>\$ 16,054,413</b>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Certificates of Participation are paid from the Capital Facilities Fund 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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2014	Issued	Accreted	Redeemed	Outstanding June 30, 2015
9/1/99	8/1/14	4.20 - 5.60%	\$ 7,300,000	\$ 817,108	\$ -	\$ 22,892	\$ 840,000	\$ -
5/1/03	8/1/27	1.10 - 5.46%	15,000,000	13,736,720	-	748,740	-	14,485,460
9/16/04	8/1/29	1.25 - 5.46%	44,999,498	16,709,298	-	93,410	15,690,000	1,112,708
9/16/04	8/1/24	1.25 - 4.59%	37,055,000	14,120,000	-	-	14,120,000	-
5/18/06	8/1/30	4.50 - 5.15%	67,999,967	7,408,808	-	440,746	2,110,000	5,739,554
3/14/07	8/1/30	3.77 - 4.74%	9,997,217	11,072,740	-	451,180	-	11,523,920
3/3/11	8/1/42	7.41 - 7.50%	11,525,419	15,409,058	-	1,173,136	-	16,582,194
3/3/11	8/1/35	7.41 - 7.50%	5,477,434	7,648,438	-	693,847	-	8,342,285
5/22/13	8/1/28	2.00 - 5.00%	86,000,000	84,355,000	-	-	-	84,355,000
6/12/13	8/1/37	2.00 - 4.00%	30,150,000	30,150,000	-	-	350,000	29,800,000
6/12/13	8/1/27	0.99 - 4.66%	12,515,000	12,515,000	-	-	1,755,000	10,760,000
8/7/14	8/1/28	2.00-5.00%	24,705,000	-	24,705,000	-	-	24,705,000
				<u>\$ 213,942,170</u>	<u>\$ 24,705,000</u>	<u>\$ 3,623,951</u>	<u>\$ 34,865,000</u>	<u>\$ 207,406,121</u>

### 1999 General Obligation Bonds, Series B

On September 1, 1999, the District issued the \$7,300,000 1999 General Obligation Bonds, Series B, for the acquisition and construction of certain real property and improvements of the District, and for the prepayment in whole of the 1998 Certificates of Participation. The Series B bonds were issued as capital appreciation bonds, with the value of the capital appreciation bonds accreting \$3,741,200, and an aggregate principal debt service balance of \$11,041,200. The bonds have a final maturity which occurs on August 1, 2014, and yield interest rates of 4.20 to 5.60 percent. At June 30, 2015, the District has defeased the debt.

### 1999 General Obligation Bonds, Series C

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

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

At June 30, 2015, 1999 General Obligation Bonds, Series C totaling \$14,485,460 (including accretion) were still outstanding. Unamortized premium received on issuance amounted to \$240,594.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **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, 2015, 2004 General Obligation Bonds, Series A, totaling \$1,112,708 (including accretion) were still outstanding.

### **2004 General Obligation Refunding Bonds**

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

During the 2014-2015 fiscal year, proceeds from the District's 2014 General Obligation Refunding Bonds were used to provide advance refunding of all obligations outstanding on 2004 General Obligation Refunding Bonds.

### **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, 2015, the principal balance outstanding (including accretion) was \$5,739,554. Unamortized premium received on issuance amounted to \$3,586,704.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **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, 2015, the principal balance outstanding (including accretion) was \$11,523,920. Unamortized premium received on issuance amounted to \$208,312.

### **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, 2015, the principal balance outstanding (including accretion) was \$16,582,194. Unamortized premium received on issuance amounted to \$437,365.

### **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, 2015, the principal balance outstanding (including accretion) was \$8,342,285. Unamortized premium on issuance amounted to \$189,722.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **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, 2015, the principal balance outstanding was \$84,355,000. Unamortized premium received on issuance and deferred charge on refunding were \$11,938,475 and \$7,952,268, 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, 2015, 2013 General Obligation Bonds, Series A, totaling \$29,800,000 were still outstanding. Unamortized premium received on issuance amounted to \$819,381.

### **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, 2015, 2012 General Obligation Bonds, Series B, totaling \$10,760,000 were still outstanding.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### 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, 2015, the principal balance outstanding was \$24,705,000, and unamortized premium received on issuance deferred charge on refunding were \$2,592,484 and \$126,304, respectively.

### 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
2016	\$ 7,709,151	\$ 849	\$ 6,796,037	\$ 14,506,037
2017	6,256,792	3,208	6,637,689	12,897,689
2018	6,899,687	5,313	6,386,149	13,291,149
2019	7,660,000	-	6,072,741	13,732,741
2020	8,459,458	5,542	5,717,401	14,182,401
2021-2025	52,691,149	3,128,851	22,598,532	78,418,532
2026-2030	58,261,650	13,043,350	10,507,193	81,812,193
2031-2035	30,541,316	43,318,684	3,842,075	77,702,075
2036-2040	24,213,991	52,846,009	708,600	77,768,600
2041-2043	4,712,927	26,302,073	-	31,015,000
Total	\$ 207,406,121	\$ 138,653,879	\$ 69,266,417	\$ 415,326,417

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### 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, 2015, the principal balance outstanding was \$53,080,000. Unamortized discount on issuance amounted to \$426,063.

The certificates mature through 2026 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2016	-	4,220,372	4,220,372
2017	-	4,220,373	4,220,373
2018	-	4,220,373	4,220,373
2019	-	3,809,803	3,809,803
2020	-	3,389,219	3,389,219
2021-2025	40,170,000	10,165,546	50,335,546
2026	12,910,000	540,572	13,450,572
Total	<u>\$ 53,080,000</u>	<u>\$ 30,566,258</u>	<u>\$ 83,646,258</u>

### 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, 2014	\$ -
Additions	3,410,529
Payments	(1,807,770)
Balance, June 30, 2015	<u>\$ 1,602,759</u>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$ 1,207,806
2017	118,486
2018	118,486
2019	118,486
2020	39,495
	<u>1,602,759</u>
Less: Amount Representing Interest	(79,312)
Present Value of Minimum Lease Payments	<u><u>\$ 1,523,447</u></u>

### **Accumulated Unpaid Employee Vacation**

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$1,012,327.

### **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, 2015, amounted to \$17,062,244, using a discount factor of 1.50 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, 2015 the District's outstanding obligation on their pro-rata share of equity assessed was \$2,410,598.

### **Supplementary Early Retirement Plan (SERP)**

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

During 2012, the District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitle to through the California State 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, 2015, the outstanding obligation for the aforementioned Supplemental Early Retirement Plans were \$6,476,436.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2016	\$ 3,464,201
2017	3,012,235
Total	<u>\$ 6,476,436</u>

### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2015, was \$6,541,175, and contributions made by the District during the year were \$3,713,862. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$771,059 and (\$787,387), respectively, which resulted in an increase to the net OPEB obligation of \$2,810,985. As of June 30, 2015, the net OPEB obligation was \$19,043,811. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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
<b>Nonspendable</b>					
Revolving cash	\$ 211,000	\$ -	\$ -	\$ -	\$ 211,000
Stores inventories	243,414	-	-	-	243,414
Prepaid expenditures	4,030,850	-	-	-	4,030,850
<b>Total Nonspendable</b>	<b>4,485,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,485,264</b>
<b>Restricted</b>					
Legally restricted programs	22,638,393	-	-	112,654	22,751,047
Capital projects	-	42,620,304	36,978,669	15,039,608	94,638,581
Debt services	-	-	-	16,337,385	16,337,385
<b>Total Restricted</b>	<b>22,638,393</b>	<b>42,620,304</b>	<b>36,978,669</b>	<b>31,489,647</b>	<b>133,727,013</b>
<b>Assigned</b>					
LCAP carryover	10,779,832	-	-	-	10,779,832
Salary reserve	928,156	-	-	-	928,156
Adult education	-	-	-	166,533	166,533
Future capital projects	-	-	-	3,991,228	3,991,228
<b>Total Assigned</b>	<b>11,707,988</b>	<b>-</b>	<b>-</b>	<b>4,157,761</b>	<b>15,865,749</b>
<b>Unassigned</b>					
Reserve for economic uncertainties	11,100,000	-	-	-	11,100,000
Remaining unassigned	3,729,076	-	-	-	3,729,076
<b>Total Unassigned</b>	<b>14,829,076</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,829,076</b>
<b>Total</b>	<b>\$ 53,660,721</b>	<b>\$ 42,620,304</b>	<b>\$ 36,978,669</b>	<b>\$ 35,647,408</b>	<b>\$ 168,907,102</b>

**NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2015, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	<u>\$ 535,533,634</u>	<u>\$ 551,040,417</u>	<u>\$ 15,506,783</u>

\* Includes on behalf payments of \$12,011,550.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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 435 retirees and beneficiaries currently receiving benefits and 4,496 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 2014-2015, the District contributed \$3,713,862 to the Plan, all of which was used for current premiums (approximately 89.9 percent of total premiums). Plan members receiving benefits contributed \$416,277, or approximately 10.1 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	\$ 6,541,175
Interest on net OPEB obligation	771,059
Adjustment to annual required contribution	(787,387)
Annual OPEB cost (expense)	<u>6,524,847</u>
Contributions made	<u>(3,713,862)</u>
Increase in net OPEB obligation	2,810,985
Net OPEB obligation, beginning of year	<u>16,232,826</u>
Net OPEB obligation, end of year	<u><u>\$ 19,043,811</u></u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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
2013	\$ 4,794,349	\$ 2,645,406	55.18%	\$ 12,401,740
2014	6,528,701	2,697,615	41.32%	16,232,826
2015	6,524,847	3,713,862	56.92%	19,043,811

**Funded Status and Funding Progress**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	\$ 51,530	\$ 54,255,216	\$ 54,203,686	0.09%	\$ 305,037,648	17.77%

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, 2013, 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, 2015, was 22 years.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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, 2015, 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 2015, 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, 2013 to June 30, 2015:

	Workers' Compensation
Liability Balance, July 1, 2013	\$ 12,680,582
Claims and changes in estimates	4,982,630
Claims payments	(2,872,873)
Liability Balance, June 30, 2014	14,790,339
Claims and changes in estimates	5,695,100
Claims payments	(3,423,195)
Liability Balance, June 30, 2015	\$ 17,062,244
Assets available to pay claims at June 30, 2015	\$ 24,378,653

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**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).

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 265,575,937	\$ 20,886,129	\$ 65,397,569	\$ 22,927,779
CalPERS	81,354,671	13,096,870	27,954,376	7,230,769
CalPERS - Safety Risk Pool	2,941,679	729,241	619,005	387,379
<b>Total</b>	<b>\$ 349,872,287</b>	<b>\$ 34,712,240</b>	<b>\$ 93,970,950</b>	<b>\$ 30,545,927</b>

The details of each plan are 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, 2013, 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.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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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, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

### 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, 2015, are presented above and the District's total contributions were \$20,886,129.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

At June 30, 2015, 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	\$ 265,575,937
State's proportionate share of the net pension liability associated with the District	160,366,217
Total	<u>\$ 425,942,154</u>

The net pension liability was measured as of June 30, 2014. 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, 2014 was 0.4545 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$22,927,779. In addition, the District recognized pension expense and revenue of \$13,844,783 for support provided by the State. At June 30, 2015, 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	\$ 20,886,129	\$ -
Difference between projected and actual earnings on pension plan investments	-	65,397,569
Total	<u>\$ 20,886,129</u>	<u>\$ 65,397,569</u>

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 16,349,392
2017	16,349,392
2018	16,349,392
2019	16,349,393
Total	<u>\$ 65,397,569</u>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
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' investment practice, a best estimate range was determined by 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 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 413,963,429
Current discount rate (7.60%)	265,575,937
1% increase (8.60%)	141,847,736

### 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, 2013 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2013. 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>.



# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### 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, 2015, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
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	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

The CalPERS Safety Risk Pool provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Safety Risk Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
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	9.000%	15.250%
Required employer contribution rate	51.280%	15.050%

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### 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, 2015, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were \$9,386,310 and 729,241, respectively.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liabilities totaling \$81,354,671 and \$2,941,679, respectively. The net pension liability was measured as of June 30, 2014. 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, 2014 and June 30, 2013, respectively, was 0.7166 percent and 0.6821 percent, resulting in a net decrease in the proportionate share of 0.0345 percent for CalPERS. The District's proportionate share for the measurement period June 30, 2014 for the CalPERS Safety Risk Pool was 0.0473 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$7,230,769 for CalPERS and \$387,379 for CalPERS Safety Risk Pool. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalPERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 9,386,310	\$ -
Net change in proportionate share of net pension liability	3,710,560	-
Difference between projected and actual earnings on pension plan investments	-	27,954,376
Total	<u>\$ 13,096,870</u>	<u>\$ 27,954,376</u>
	<u>CalPERS Safety Risk Pool</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension contributions subsequent to measurement date	\$ 729,241	\$ -
Difference between projected and actual earnings on pension plan investments		619,005
Total	<u>\$ 729,241</u>	<u>\$ 619,005</u>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

The deferred outflow 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 year ended June 30, 2016.

The deferred outflow of resources related to the net change in proportionate share of net pension liability will be amortized over the expected average remaining service lives (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2013-2014 measurement period is 3.9 years and the pension expense will be recognized as follows:

Year Ended June 30,	<u>CalPERS Amortization</u>
2016	\$ 1,236,853
2017	1,236,853
2018	1,236,854
Total	<u>\$ 3,710,560</u>

The deferred inflow of resources related to the differences 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,	<u>CalPERS Amortization</u>
2016	\$ 6,988,594
2017	6,988,594
2018	6,988,594
2019	6,988,594
Total	<u>\$ 27,954,376</u>

Year Ended June 30,	<u>CalPERS Safety Risk Pool Amortization</u>
2016	\$ 154,751
2017	154,751
2018	154,751
2019	154,752
Total	<u>\$ 619,005</u>

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 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:

<u>Discount rate</u>	<u>CalPERS Net Pension Liability</u>
1% decrease (6.50%)	\$ 142,714,665
Current discount rate (7.50%)	81,354,671
1% increase (8.50%)	30,082,211

  

<u>Discount rate</u>	<u>CalPERS Safety Risk Pool Net Pension Liability</u>
1% decrease (6.50%)	\$ 4,211,716
Current discount rate (7.50%)	2,941,679
1% increase (8.50%)	1,895,222

**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 \$12,011,550 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **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 \$42,570, which was one percent of its current-year covered payroll. Employee contributions amounted to \$276,705.

### **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, 2015.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Construction Commitments**

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Modernization at various sites	\$ 7,635,312	12/01/15
New school construction - various sites	17,246,910	12/01/15
SDC additions projects - various sites	4,437,630	11/01/15
Miscellaneous/other projects	64,092,019	08/01/17
	<u>\$ 93,411,871</u>	

**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, 2015, the District made payments of \$2,093,777, \$463,195, and \$301,316 to SCSRM, SCSEBA, and SELF, respectively, for the coverage noted above.

**NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

<b>Statement of Net Position</b>	
Net Position - Beginning	\$ 865,391,953
Adoption of GASB Statement No. 68	
Inclusion of net pension liability	\$ (433,375,526)
Inclusion of deferred outflows of resources	<u>25,937,617</u>
Net Position - Beginning as Restated	<u>\$ 457,954,044</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
	<b>REVENUES</b>			
Local Control Funding Formula	\$ 410,735,334	\$ 402,728,260	\$ 404,554,217	\$ 1,825,957
Federal sources	46,226,088	45,355,707	45,544,060	188,353
Other State sources	61,327,433	64,856,628	79,198,489	14,341,861
Other local sources	5,378,830	7,498,910	17,390,095	9,891,185
<b>Total Revenues</b> <sup>1</sup>	<b>523,667,685</b>	<b>520,439,505</b>	<b>546,686,861</b>	<b>26,247,356</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	244,174,914	250,766,666	249,040,355	1,726,311
Classified salaries	72,146,906	69,503,187	69,806,437	(303,250)
Employee benefits	112,003,590	108,812,604	117,007,520	(8,194,916)
Books and supplies	31,750,297	31,564,340	31,197,223	367,117
Services and operating expenditures	83,965,728	74,463,190	75,877,793	(1,414,603)
Capital outlay	2,805,604	2,720,821	6,188,913	(3,468,092)
Other outgo	(2,357,219)	(2,297,174)	(1,184,610)	(1,112,564)
Debt service - principal	-	-	1,760,588	(1,760,588)
Debt service - interest	-	-	1,346,198	(1,346,198)
<b>Total Expenditures</b> <sup>1</sup>	<b>544,489,820</b>	<b>535,533,634</b>	<b>551,040,417</b>	<b>(15,506,783)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(20,822,135)</b>	<b>(15,094,129)</b>	<b>(4,353,556)</b>	<b>10,740,573</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	78,878	74,785	(4,093)
Other sources - capital lease	-	-	3,284,035	3,284,035
Transfers out	(1,408,171)	(1,412,608)	(1,412,608)	-
<b>Net Financing Sources (Uses)</b>	<b>(1,408,171)</b>	<b>(1,333,730)</b>	<b>1,946,212</b>	<b>3,279,942</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(22,230,306)</b>	<b>(16,427,859)</b>	<b>(2,407,344)</b>	<b>14,020,515</b>
<b>Fund Balance - Beginning</b>	<b>56,068,065</b>	<b>56,068,065</b>	<b>56,068,065</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 33,837,759</b>	<b>\$ 39,640,206</b>	<b>\$ 53,660,721</b>	<b>\$ 14,020,515</b>

<sup>1</sup> On behalf payments of \$12,011,550 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
August 1, 2009	\$ 1,348,550	\$ 34,233,825	\$ 32,885,275	3.94%	\$ 333,483,774	9.86%
June 30, 2011	553,767	40,228,979	39,675,212	1.38%	302,224,966	13.13%
July 1, 2013	51,530	54,255,216	54,203,686	0.09%	305,037,648	17.77%

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability	<u>0.4545%</u>
District's proportionate share of the net pension liability	\$ 265,575,937
State's proportionate share of the net pension liability associated with the District	<u>160,366,217</u>
Total	<u><u>\$ 425,942,154</u></u>
District's covered - employee payroll	<u>\$ 224,057,629</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>118.53%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
<b>CalPERS</b>	
District's proportion of the net pension liability	<u>0.7166%</u>
District's proportionate share of the net pension liability	<u>\$ 81,354,671</u>
District's covered - employee payroll	<u>\$ 69,703,855</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>116.71%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>
<b>CalPERS- SAFETY RISK POOL</b>	
District's proportion of the net pension liability	<u>0.0473%</u>
District's proportionate share of the net pension liability	<u>\$ 2,941,679</u>
District's covered - employee payroll	<u>\$ 1,409,968</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>208.63%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2015

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 20,886,129
Contributions in relation to the contractually required contribution	<u>(20,886,129)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 235,204,155</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
<b>CalPERS</b>	
Contractually required contribution	\$ 9,386,310
Contributions in relation to the contractually required contribution	<u>(9,386,310)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 79,740,974</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>
<b>CalPERS - SAFETY RISK POOL</b>	
Contractually required contribution	\$ 729,241
Contributions in relation to the contractually required contribution	<u>(729,241)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 7,517,948</u>
Contributions as a percentage of covered - employee payroll	<u>9.70%</u>

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

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*SUPPLEMENTARY INFORMATION*

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**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Indian Education	84.060A	[1]	\$ 116,811
Safe and Drug-Free Schools and Communities	84.215L	[1]	207,914
Passed through California Department of Education (CDE)			
Adult Basic Education:			
Adult Education - Basic Grants to States:			
Adult Basic Education and ESL	84.002A	14508	476,850
Adult Secondary Education	84.002	13978	403,075
Adult English Literacy and Civics Education	84.002A	14109	<u>230,084</u>
Subtotal Adult Education - Basic Grants to States			<u>1,110,009</u>
No Child Left Behind Act (NCLB):			
Title I, Part A - Low Income and Neglected	84.010	14329	24,316,674
ARRA Title I School Improvement Grants	84.388	15020	2,254,485
Title I, Part G - Advanced Placement Test Fee Reimbursement	84.330	14831	112,306
Improving Teacher Quality State Grants:			
Title II, Part A - Improving Teacher Quality	84.367	14341	3,254,643
Title II, Part A - Administrator Training Program	84.367	14344	<u>10,374</u>
Subtotal Improving Teacher Quality State Grants			<u>3,265,017</u>
Title III - Limited English Proficient Student Program	84.365	10084	1,428,965
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Part B, Sec 611, Basic Local Assistance	84.027	13379	9,455,493
Part B, Sec 619, Preschool Grants	84.173	13430	148,046
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	257,555
Part B, Sec 611, Mental Health Services	84.027A	14468	567,301
Part B, Sec 619, Preschool Staff Development	84.173A	13431	<u>1,544</u>
Subtotal Special Education (IDEA) Cluster			<u>10,429,939</u>
Part C, Early Intervention Grants	84.181	23761	59,697
Carl D. Perkins Vocational and Technical Education Act of 1998			
Career and Technical Education - Basic Grants to States			
Secondary Education	84.048	13924	701,212
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126A	10006	441,637
PROMISE Grant	84.000	N/A	<u>119,838</u>
Total U.S. Department of Education			<u>44,564,504</u>

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

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services Medi-Cal Billing Option	93.778	10013	\$ 637,681
Passed through CDE Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	13609	731,627
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596	15011	406,871
Subtotal CCDF Cluster			<u>1,138,498</u>
Total U.S. Department of Health and Human Services			<u>1,776,179</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	18,587,990
Especially Needy Breakfast Program	10.553	13526	4,516,910
Meal Supplements	10.556	13392	703,311
Seamless Summer Food Program	10.559	13004	88,020
Commodities	10.555	13396	1,938,669
Subtotal Child Nutrition Cluster			<u>25,834,900</u>
Child & Adult Care Food Program	10.558	13393	246,303
Total U.S. Department of Agriculture			<u>26,081,203</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Junior Reserve Office Training Corps	12.000	[1]	147,182
U.S. Department of Defense Total			<u>147,182</u>
Total Expenditure of Federal Awards			<u>\$ 72,569,068</u>

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

See accompanying note to supplementary information.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

The San Bernardino City Unified School District was established July 1, 1964. The District operates forty-nine elementary schools, 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 schools. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Michael J. Gallo	President	2015
Bobbie Perong	Vice President	2015
Dr. Barbara Flores	Member	2017
Dr. Margaret Hill	Member	2015
Abigail Medina	Member	2017
Lynda K. Savage	Member	2015
Danny Tillman	Member	2017

### ADMINISTRATION

Dr. Dale Marsden	Superintendent
Dr. Harold Vollkommer	Deputy Superintendent
Jayne Christakos	Chief Business Officer
Dr. Perry Wiseman	Assistant Superintendent, Human Resources
John Peukert	Assistant Superintendent, Facilities/Operations
Dr. Matty Zamora	Assistant Superintendent, Educational Services
Dr. Kennon Mitchell	Assistant Superintendent, Student Services

See accompanying note to supplementary information.



**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period	Annual
	Report B13D97F	Report 95402A43
Regular ADA		
Transitional kindergarten through third	16,405.95	16,415.27
Fourth through sixth	11,471.80	11,456.50
Seventh and eighth	6,736.17	6,714.73
Ninth through twelfth	12,720.84	12,564.31
Total Regular ADA	47,334.76	47,150.81
Extended Year Special Education		
Transitional kindergarten through third	-	9.50
Fourth through sixth	-	7.16
Seventh and eighth	-	0.11
Total Extended Year Special Education	-	16.77
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.40	4.87
Fourth through sixth	25.39	25.93
Seventh and eighth	28.55	28.48
Ninth through twelfth	54.67	54.70
Total Special Education, Nonpublic, Nonsectarian Schools	113.01	113.98
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.22	0.34
Fourth through sixth	1.74	2.10
Seventh and eighth	1.36	2.40
Ninth through twelfth	3.94	4.81
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	7.26	9.65
Community Day School		
Transitional kindergarten through third	2.74	3.21
Fourth through sixth	7.79	8.09
Seventh and eighth	1.36	3.68
Ninth through twelfth	-	0.36
Total Community Day School	11.89	15.34
Total ADA	47,466.92	47,306.55

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	35,000	175	175	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			52,875	175	175	Complied
Grade 2			52,875	175	175	Complied
Grade 3			52,875	175	175	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			52,875	175	175	Complied
Grade 5			52,875	175	175	Complied
Grade 6			52,875	175	175	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			59,641	175	-	Complied
Grade 8			59,641	175	-	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			63,891	175	-	Complied
Grade 10			63,891	175	-	Complied
Grade 11			63,891	175	-	Complied
Grade 12			63,891	175	-	Complied

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 <sup>1</sup>	2015	2014	2013
<b>GENERAL FUND</b>				
Revenues and other sources	\$ 601,839,647	\$ 546,686,861	\$ 493,654,837	\$ 471,734,480
Other sources and transfers in	-	3,358,820	13,049	-
<b>Total Revenues     and Other Sources</b>	<b>601,839,647</b>	<b>550,045,681</b>	<b>493,667,886</b>	<b>471,734,480</b>
Expenditures	(602,700,283)	(551,040,417)	(499,194,992)	(471,955,601)
Other uses and transfers out	(1,408,171)	(1,412,608)	(553,584)	(133,630)
<b>Total Expenditures     and Other Uses</b>	<b>(604,108,454)</b>	<b>(552,453,025)</b>	<b>(499,748,576)</b>	<b>(472,089,231)</b>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ (2,268,807)</b>	<b>\$ (2,407,344)</b>	<b>\$ (6,080,690)</b>	<b>\$ (354,751)</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 51,391,914</b>	<b>\$ 53,660,721</b>	<b>\$ 56,068,065</b>	<b>\$ 62,148,755</b>
<b>AVAILABLE RESERVES <sup>2</sup></b>	<b>\$ 24,643,179</b>	<b>\$ 14,829,076</b>	<b>\$ 31,515,478</b>	<b>\$ 9,240,000</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup></b>	<b>4.1%</b>	<b>2.7%</b>	<b>6.2%</b>	<b>2.0%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>N/A</b>	<b>327,601,958</b>	<b>\$ 334,702,053</b>	<b>\$ 340,583,791</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<b>47,476</b>	<b>47,467</b>	<b>47,074</b>	<b>47,155</b>

The General Fund balance has decreased by \$8,488,034 over the past two years. The fiscal year 2015-2016 budget projects a further decrease of \$2,268,807 (4.2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in all of the past three years and anticipates incurring an operating deficit during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$12,981,833 over the past two years.

Average daily attendance has increased by 312 over the past two years. Additional growth of 9 ADA is anticipated during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On behalf payments of \$12,153,318 and \$12,056,604 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014 and 2013, respectively.

See accompanying note to supplementary information.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2015

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
PAL Academy (0335)	No
ASA Charter (0677)	No
Public Safety Academy (0731)	No
Casa Ramona Academy (0897)	No
SOAR Charter Academy (0982)	No
Options for Youth (1132)	No
New Vision Middle (1089)	No
Hardy Brown College Prep (1155)	No
Excel Prep Charter (1153)	No
The Academy of the Inland Empire (1222)*	No
Taft T. Newman Leadership Academy (1437)	No
Woodward Leadership Academy (1438)	No
Center for Learning and Unlimited Educational Success (1574)	No

\* The Academy of the Inland Empire charter school was closed effective July 30, 2014.

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 300,503	\$ 457,886	\$ 15,906,773
Receivables	1,008,972	9,285	169,968
Due from other funds	105,131	1,414,945	79,846
<b>Total Assets</b>	<b>\$ 1,414,606</b>	<b>\$ 1,882,116</b>	<b>\$ 16,156,587</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 189,388	\$ 1,087,061	\$ 1,111,056
Due to other funds	806,227	646,613	5,943
Unearned revenue	252,458	35,788	-
<b>Total Liabilities</b>	<b>1,248,073</b>	<b>1,769,462</b>	<b>1,116,999</b>
<b>Fund Balances:</b>			
Restricted	-	112,654	15,039,588
Assigned	166,533	-	-
<b>Total Fund Balances</b>	<b>166,533</b>	<b>112,654</b>	<b>15,039,588</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,414,606</b>	<b>\$ 1,882,116</b>	<b>\$ 16,156,587</b>

See accompanying note to supplementary information.

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<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Capital Projects Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 4,128,369	\$ 20	\$ 16,337,385	\$ 37,130,936
4,149	-	-	1,192,374
1,914	-	-	1,601,836
<u>\$ 4,134,432</u>	<u>\$ 20</u>	<u>\$ 16,337,385</u>	<u>\$ 39,925,146</u>
\$ 141,822	\$ -	\$ -	\$ 2,529,327
1,382	-	-	1,460,165
-	-	-	288,246
<u>143,204</u>	<u>-</u>	<u>-</u>	<u>4,277,738</u>
-	20	16,337,385	31,489,647
3,991,228	-	-	4,157,761
<u>3,991,228</u>	<u>20</u>	<u>16,337,385</u>	<u>35,647,408</u>
<u>\$ 4,134,432</u>	<u>\$ 20</u>	<u>\$ 16,337,385</u>	<u>\$ 39,925,146</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Capital Facilities Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 1,110,008	\$ 1,138,498	\$ -
Other State sources	822,814	6,017,974	-
Other local sources	204,916	134,505	4,423,877
<b>Total Revenues</b>	<u>2,137,738</u>	<u>7,290,977</u>	<u>4,423,877</u>
<b>EXPENDITURES</b>			
Current		-	
Instruction	1,943,236		-
Instruction-related activities:			
Supervision of instruction	-	176,677	-
School site administration	54,532	247,317	-
Pupil services:			
All other pupil services	-	510	-
Administration:			
All other administration	5,021	589,999	-
Plant services	-	231,515	-
Facility acquisition and construction	-	89,981	6,274,905
Community services	-	7,766,497	-
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<u>2,002,789</u>	<u>9,102,496</u>	<u>6,274,905</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>134,949</u>	<u>(1,811,519)</u>	<u>(1,851,028)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,408,171	116,864
Other sources - proceeds from issuance of general obligation refunding bonds	-	-	-
Other sources - premium on issuance of general obligation refunding bonds	-	-	-
Transfers out	-	-	(2,092,696)
Other uses - payments to refunded general obligation bonds escrow agent	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>1,408,171</u>	<u>(1,975,832)</u>
<b>NET CHANGE IN FUND BALANCES</b>	134,949	(403,348)	(3,826,860)
<b>Fund Balances - Beginning</b>	31,584	516,002	18,866,448
<b>Fund Balances - Ending</b>	<u>\$ 166,533</u>	<u>\$ 112,654</u>	<u>\$ 15,039,588</u>

See accompanying note to supplementary information.



<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Capital Projects Fund for Blended Component Units</b>	<b>Bond Interest and Redemption Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 2,248,506
-	-	171,484	7,012,272
1,458,241	73	14,681,247	20,902,859
<u>1,458,241</u>	<u>73</u>	<u>14,852,731</u>	<u>30,163,637</u>
-	-	-	1,943,236
-	-	-	176,677
-	-	-	301,849
-	-	-	510
-	-	-	595,020
-	-	-	231,515
2,028,093	-	-	8,392,979
-	-	-	7,766,497
-	-	192,713	192,713
-	-	7,710,000	7,710,000
-	640,355	7,079,089	7,719,444
<u>2,028,093</u>	<u>640,355</u>	<u>14,981,802</u>	<u>35,030,440</u>
<u>(569,852)</u>	<u>(640,282)</u>	<u>(129,071)</u>	<u>(4,866,803)</u>
3,011,236	-	-	4,536,271
-	-	24,705,000	24,705,000
-	-	2,791,906	2,791,906
(594,508)	-	-	(2,687,204)
-	-	(27,291,020)	(27,291,020)
<u>2,416,728</u>	<u>-</u>	<u>205,886</u>	<u>2,054,953</u>
1,846,876	(640,282)	76,815	(2,811,850)
2,144,352	640,302	16,260,570	38,459,258
<u>\$ 3,991,228</u>	<u>\$ 20</u>	<u>\$ 16,337,385</u>	<u>\$ 35,647,408</u>

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 45,544	8.3	\$ 52,586	10.6	\$ 64,857	13.8
State and local revenue included in LCFF	404,554	74.0	348,824	70.7	254,620	54.0
Other State revenue	79,199	14.5	83,449	16.9	143,529	30.4
Other local revenue	17,390	3.2	8,796	1.8	8,655	1.8
Total Revenues	<u>546,687</u>	<u>100.0</u>	<u>493,655</u>	<u>100.0</u>	<u>471,661</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	249,040	45.6	227,100	46.0	214,089	45.4
Classified salaries	69,806	12.8	63,390	12.8	60,725	12.9
Employee benefits	117,008	21.4	106,480	21.6	104,620	22.2
Total Salaries and Benefits	435,854	79.8	396,970	80.4	379,434	80.5
Books and supplies	31,197	5.7	23,729	4.8	19,090	4.0
Contracts and operating expenses	75,878	13.9	73,195	14.8	72,067	15.3
Capital outlay	6,189	1.1	4,335	0.9	2,857	0.6
Other outgo	1,922	0.4	966	0.2	(1,492)	(0.3)
Total Expenditures	<u>551,040</u>	<u>100.9</u>	<u>499,195</u>	<u>101.1</u>	<u>471,956</u>	<u>100.1</u>
<b>EXCESS (DEFICIENCY) OF REVENUES UNDER EXPENDITURES</b>	<u>(4,353)</u>	<u>(0.9)</u>	<u>(5,540)</u>	<u>(1.1)</u>	<u>(295)</u>	<u>(0.1)</u>
<b>OTHER FINANCING USES</b>						
Operating transfers in	75	0.0	13	0.0	74	0.0
Operating transfers out	(1,413)	(0.3)	(554)	(0.1)	(134)	(0.0)
Other sources	3,284	0.6	-	0.0	-	-
Total Other Financing Uses	<u>1,946</u>	<u>(0.3)</u>	<u>(541)</u>	<u>(0.1)</u>	<u>(60)</u>	<u>(0.0)</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>(2,407)</u>	<u>(1.2)</u>	<u>(6,081)</u>	<u>(1.2)</u>	<u>(355)</u>	<u>(0.1)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>56,068</u>		<u>62,149</u>		<u>62,504</u>	
<b>FUND BALANCE, ENDING</b>	<u>\$ 53,661</u>		<u>\$ 56,068</u>		<u>\$ 62,149</u>	
<b>ENDING FUND BALANCE TO TOTAL REVENUES</b>		<u>9.8</u>		<u>11.4</u>		<u>13.2</u>

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**CAFETERIA FUND SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal programs	\$ 26,082	89.1	\$ 25,890	88.8	\$ 25,455	88.0
State meal program	1,960	6.7	1,907	6.5	1,962	6.8
Food sales	1,227	4.2	1,350	4.6	1,495	5.2
Other	11	0.0	26	0.1	6	0.0
<b>Total Revenues</b>	<b>29,280</b>	<b>100.0</b>	<b>29,173</b>	<b>100.0</b>	<b>28,918</b>	<b>100.0</b>
<b>EXPENDITURES</b>						
Salaries and employee benefits	12,041	41.1	11,176	38.3	10,649	36.8
Food	13,887	47.4	14,711	50.4	16,354	56.6
Supplies	513	1.8	788	2.7	843	2.9
Other	3,386	11.6	3,612	12.4	3,634	12.5
<b>Total Expenditures</b>	<b>29,827</b>	<b>101.9</b>	<b>30,287</b>	<b>103.8</b>	<b>31,480</b>	<b>108.8</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(547)</b>	<b>(1.9)</b>	<b>(1,114)</b>	<b>(3.8)</b>	<b>(2,562)</b>	<b>(8.8)</b>
<b>NETS ASSETS, BEGINNING</b>	<b>18,677</b>		<b>19,791</b>		<b>22,353</b>	
<b>NET ASSETS, ENDING</b>	<b>\$ 18,130</b>		<b>\$ 18,677</b>		<b>\$ 19,791</b>	
<b>ENDING NET ASSETS TO TOTAL REVENUES</b>		<b>61.9</b>		<b>64.0</b>		<b>68.4</b>

\* \* \* \* \*

**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

	2014-2015		2013-2014		2012-2013	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>TYPE 'A' LUNCHES</b>						
Paid	285,595	4.4	278,194	4.3	302,357	4.6
Reduced price	568,917	8.9	617,551	9.6	621,955	9.5
Free	5,546,358	86.7	5,562,721	86.1	5,638,004	85.9
<b>Total Lunches</b>	<b>6,400,870</b>	<b>100.0</b>	<b>6,458,466</b>	<b>100.0</b>	<b>6,562,316</b>	<b>100.0</b>
<b>BREAKFAST</b>						
Paid	79,929	3.3	81,240	3.1	84,878	3.1
Reduced price	183,279	7.5	223,671	8.5	230,830	8.5
Free	2,173,982	89.2	2,333,522	88.4	2,405,856	88.4
<b>Total Breakfast</b>	<b>2,437,190</b>	<b>100.0</b>	<b>2,638,433</b>	<b>100.0</b>	<b>2,721,564</b>	<b>100.0</b>

See accompanying note to supplementary information.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances and in the 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 have been recorded as revenues in the prior year but were not spent. These amounts were expended in the current year. Additionally, the District exceeded the period of availability for Title IV, Part A – Safe & Drug-Free Schools and Communities Formula Grant funds and as a result, the funds were returned to the California Department of Education, thus reducing the current year revenue. Lastly, the District received Qualified School Construction Bonds - Interest Subsidy funds which are not required to be reported on the Schedule of Expenditure Awards.

Description	Federal CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Revenues, Expenses and Changes in Net Position:		\$ 75,174,187
Medi-Cal Billing Option	93.778	35,566
Title IV, Part A - Safe & Drug-Free Schools and Communities Formula Grant	84.186	(41,251)
Qualified School Construction Bonds - Interest Subsidy	[1]	(2,599,434)
Total Schedule of Expenditures of Federal Awards		<u>\$ 72,569,068</u>

[1] CFDA number not available

**Local Education Agency Organization Structure**

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

**Schedule of Average Daily Attendance (ADA)**

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

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### **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.

### **General Fund Selected Financial Information**

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

### **Cafeteria Fund Selected Financial Information**

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

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***INDEPENDENT AUDITOR'S REPORTS***

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**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, 2015, 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, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 and 17 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered San Bernardino City Unified School District's internal control over financial reporting (internal control) 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. 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.

### **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 *Government Auditing Standards*.

We noted certain matters that we reported to management of San Bernardino City Unified School District in a separate letter dated December 15, 2015.

### **Purpose of This Report**

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

*Vavrinck, Jino, Day & Co., LLP*  
Rancho Cucamonga, California  
December 15, 2015





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Bernardino City Unified School District's major Federal programs for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Bernardino City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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.

## ***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, 2015.

## **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Bernardino City Unified School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Varrinck, Jino, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015



## 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 *2014-2015 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, 2015.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's 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 *2014-2015 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.

### Unmodified Opinion

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, 2015.

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:

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	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
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	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; 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 have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

*Vavrinck, Jino, Day & Co., LLP*

Rancho Cucamonga, California  
December 15, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.388	ARRA Title I School Improvement Grants
<u>10.555, 10.553, 10.556 &amp; 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,177,072</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.



**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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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.

### *Financial Statement Finding*

**2014-001      30000**

#### **Criteria or Specific Requirements**

Financial statements prepared in accordance with GASB Statements 34 must include activities related to the District's capital assets. Reporting of capital assets on financial statements require the District to track and monitor capital assets activities annually, including acquisitions, dispositions, and construction activities that are generally considered as "construction in progress."

#### **Condition**

Although the current year's capital asset additions have been captured for financial reporting purposes, the District did not properly classify capital assets additions in the appropriate categories. Additionally, the following conditions were noted:

- 1) The District does not have a designated employee and an alternate employee responsible for tracking, monitoring, and updating the District capital assets activities.
- 2) The District has been unable to fill positions with permanent employees which has led to a total loss of experience and continuity for this financial area.

#### **Questioned costs**

There were no questioned costs associated with the condition identified.

#### **Context**

The condition was identified through inquiry with District personnel and also through review of available District records related to the capital assets activities.

#### **Effect**

Due to the condition identified, the District's capital assets reported on the government-wide statements are potentially subject to misclassification.

# SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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### **Cause**

The cause of the condition identified appears to have been triggered by the recent departure of the employee responsible for the maintenance of the District's capital assets. The situation was further exacerbated by the District's lack of alternate employee that can manage the District's capital assets responsibilities.

### **Recommendation**

The District should consider the following actions:

- 1) Delegate a primary alternate employee to provide maintenance for the District's capital assets activities.
- 2) Consider drafting a formal procedure/policy to ensure that the District's capital assets responsibilities are written. The written procedure/policy would allow the District's capital assets activities to continue in case of employee terminations/departures.
- 3) The District should provide appropriate and necessary training to designated employee(s) to ensure that the capital assets module in the Financial 2000 accounting system can be utilized.

### **Current Status**

Implemented.



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

In planning and performing our audit of the financial statements of San Bernardino City Unified School District, for the year ended June 30, 2015, 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, 2015, on the government-wide financial statements of the District.

***ASSOCIATED STUDENT BODY***

***Pacific High School***

*Ticket Sales*

Observation

Based on our review of sample ticketed transactions, we noted that ticket sales logs used in connection with ticketed activities were not mathematically consistent. Specifically, the expected revenue calculated using the number of tickets sold (beginning ticket minus ending ticket) was incorrectly calculated on the ticket sales reconciliation. Additionally, we noted that one of the football games hosted by the ASB did not utilize tickets to account for gate receipts collected from the event.

Recommendation

Ticket sales reconciliation forms should be utilized for all ticketed events held by the ASB. When using the form, beginning ticket numbers and ending ticket numbers should be clearly identified. The expected sales revenue from the event should be calculated by taking the difference between the ending and beginning ticket number multiplied by the unit price of the ticket being sold. Once the expected sales revenue is calculated, actual sales revenue should be compared to determine if there are differences. All differences should be further examined as needed. Additionally, the ASB should ensure that ticket activities are documented for all events that generally utilize tickets in place of receipts.

### *Inventory Reconciliation*

#### Observation

Based on our review of the ASB's student store activities, it appears that there is a lack of sales reconciliation taking place in connection with the sale of PE clothes. It appears that the number of PE clothes sold is not being reconciled back to the cash collected periodically.

#### Recommendation

Sales reconciliations should be performed regularly to ensure that the cash generated from sale of inventory is consistent with the physical inventory sold. In practice, beginning inventory of goods should be taken prior to sales activities and ending inventory of goods should be taken at the conclusion of the sales event. The difference between beginning and ending inventory should be determined and expected sales revenue should be calculated using the unit price of goods being sold. Lastly, actual sales should be compared with the calculated expected sales. Differences identified should be further examined, as needed.

### *Fundraising Activities*

#### Observation

One out of five sample fundraising activities tested did not accurately indicate the actual amount of revenues generated from the fundraising event. Specifically, amount stated on the revenue potential form was different from the amount posted on the ASB's general ledger.

#### 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.

### *Cash Disbursements*

#### Observations

- One out of 19 disbursements tested did not have explicit receiving documentation
- Three out of 19 sample disbursements tested did not have a proper invoice present before payment was made.

#### Recommendations

- 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.
- Prior to disbursements being drafted, the ASB should ensure that supporting invoices or receipts are available to substantiate payments being made.

***Arroyo High School***

*Inventory Reconciliation*

Observation

Based on our review of the ASB's student store activities, it appears that there is a lack of sales reconciliation taking place in connection with the sale of PE clothes and other items. It appears that the number of PE clothes and other items sold are not being reconciled back to the cash collected periodically.

Recommendation

Sales reconciliations should be performed regularly to ensure that the cash generated from sale of inventory is consistent with the physical inventory sold. In practice, beginning inventory of goods should be taken prior to sales activities and ending inventory of goods should be taken at the conclusion of the sales event. The difference between beginning and ending inventory should be determined and expected sales revenue should be calculated using the unit price of goods being sold. Lastly, actual sales should be compared with the calculated expected sales. Differences identified should be further examined, as needed.

*Ticketed Events*

Observation

The ASB maintains ticket stock for use in ticketed events. However, these tickets were not always utilized for ticketed events tested during the audit. As a result, the number of tickets sold was not tracked and a sales recap and reconciliation to cash collected was not prepared.

Recommendation

Ticket sales reconciliation forms should be utilized for all ticketed events held by the ASB. When using the form, beginning ticket numbers and ending ticket numbers should be clearly identified. The expected sales revenue from the event should be calculated by taking the difference between the ending and beginning ticket number multiplied by the unit price of the ticket being sold. Once the expected sales revenue is calculated, actual sales revenue should be compared to determine if there are differences. All differences should be further examined as needed. Additionally, the ASB should ensure that ticket activities are documented for all events that generally utilize tickets in place of receipts.

***Arrowview Middle School***

*Inventory Reconciliation*

Observation

Based on our review of the ASB's student store activities, it appears that there is a lack of sales reconciliation taking place in connection with the sale of PE clothes. It appears that the number of PE clothes sold is not being reconciled back to the cash collected periodically.

Recommendation

Sales reconciliations should be performed regularly to ensure that the cash generated from sale of inventory is consistent with the physical inventory sold. In practice, beginning inventory of goods should be taken prior to sales activities and ending inventory of goods should be taken at the conclusion of the sales event. The difference between beginning and ending inventory should be determined and expected sales revenue should be calculated using the unit price of goods being sold. Lastly, actual sales should be compared with the calculated expected sales. Differences identified should be further examined, as needed.

*Disbursement*

Observation

Two out of 12 sample disbursements tested did not have explicit receiving documentation.

Recommendation

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.

***San Andreas Continuation***

*Cash Receipts*

Observation

Based on the sample time frame selected to review the ASB's cash receipting procedure, we noted multiple delays in deposits ranging from 13 to 28 days.

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 \$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.

*Disbursements*

Observation

Two out of 10 disbursements tested did not have explicit receiving documentation.

Recommendation

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.



*Ticket Sales*

Observation

It appears that the ASB is not using pre-numbered tickets and ticket logs to document ticketed activities. Additionally, the ASB is currently not performing sales reconciliations on revenues generated from ticketed events.

Recommendation

Ticket sales reconciliation forms should be utilized for all ticketed events held by the ASB. When using the form, beginning ticket numbers and ending ticket numbers should be clearly identified. The expected sales revenue from the event should be calculated by taking the difference between the ending and beginning ticket number multiplied by the unit price of the ticket being sold. Once the expected sales revenue is calculated, actual sales revenue should be compared to determine if there are differences. All differences should be further examined as needed. Additionally, the ASB should ensure that ticket activities are documented for all events that generally utilize tickets in place of receipts.

*Inventory Reconciliation*

Observation

Based on our review of the ASB's student store activities, it appears that there is a lack of sales reconciliation taking place in connection with the sale of goods in the student store. It appears that the number of goods sold is not being reconciled back to the cash collected periodically.

Recommendation

Sales reconciliations should be performed regularly to ensure that the cash generated from sale of inventory is consistent with the physical inventory sold. In practice, beginning inventory of goods should be taken prior to sales activities and ending inventory of goods should be taken at the conclusion of the sales event. The difference between beginning and ending inventory should be determined and expected sales revenue should be calculated using the unit price of goods being sold. Lastly, actual sales should be compared with the calculated expected sales. Differences identified should be further examined, as needed.

*North Verdemon Elementary*

*Cash Receipts*

Observation

Based on the sample time frame selected to review the ASB's cash receipting procedure, we noted delay in deposits in excess of 24 days.

Recommendation

The ASB should adhere to the District's depositing policy which dictates that the ASB should submit their monies with a BU-100 form to Accounting Services no later than 7 days from the date of receiving funds, or within 1-3 business days if funds on hand exceed \$100.00.

*Disbursement*

Observation

Four out of 7 disbursements tested did not have explicit receiving documentation.

Recommendation

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.

*Fundraising Activities*

Observation

Two out of two fundraisers reviewed did not provide an explanation for differences between actual sales amounts compared to estimated sales amounts on the event's Revenue Potential Form.

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 received to monies deposited. The site administrator should ensure that these forms are completed and turned into the bookkeeper at the conclusion of the fundraiser.

*Lytle Creek Elementary*

*Cash Receipts*

Observation

Based on the sample time frame selected to review the ASB's cash receipting procedure, we noted delay in deposits in excess of 15 days.

Recommendation

The ASB should adhere to the District's depositing policy which dictates that the ASB should submit their monies with a BU-100 form to Accounting Services no later than 7 days from the date of receiving funds, or within 1-3 business days if funds on hand exceed \$100.00.

*Disbursements*

Observation

Two out of 8 disbursements tested did not have explicit receiving documentation. Additionally, it appears that the ASB has been issuing checks out of sequential order.

Recommendation

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. Additionally, all bank draft must be issued in a sequential manner in order to facilitate reconciliation and to assist in the identification of fraudulent transactions during monthly bank reconciliations

*Fundraising Activities*

Observation

Two out of two fundraisers reviewed did not provide an explanation for differences between actual sales amounts compared to estimated sales amounts on the event's Revenue Potential Form.

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.

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

*Vavrinck, Irino, Day & Co., LLP*

Rancho Cucamonga, California

December 15, 2015