

**PROPOSITION 39  
BOND BUILDING FUND OF**

**SAN BERNARDINO  
COMMUNITY COLLEGE DISTRICT**

**AUDIT REPORT**

**For the Fiscal Year Ended  
June 30, 2011**

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2011  
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**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2011**

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The San Bernardino Community College District was established in 1926 and serves most of the County of San Bernardino and a small portion of the County of Riverside. The District includes two comprehensive community colleges, a Professional Development Center, and a television and radio station. Students in our colleges may complete the freshman and sophomore years of a baccalaureate degree and transfer to upper division study at a university or complete a certified vocational program and move directly to the workforce.

In November 2002, the District's voters approved by more than the required 55% favorable vote, Measure P, authorizing the issuance and sale of general obligation bonds, not to exceed \$190,000,000. Measure P was designed to provide funds to improve safety and infrastructure at San Bernardino Valley College and Crafton Hills College. Measure P will also provide funds for the construction of new classroom buildings and training centers.

- In May 2003, \$50,000,000 of Measure P general obligation bonds were sold (Series A), and in February 2004, an additional \$20,000,000 of general obligation bonds were sold (Series B). In September 2006, \$100,000,000 of general obligation bonds were sold (Series C). On June 18, 2009 \$4,999,797 (Series D) and \$15,000,000 (Series E) general obligation bonds were sold. Proceeds from the sale of the bonds have been or will be used to finance the acquisition, construction, reconstruction, and modernization of certain property and District facilities.
- On April 7, 2005, the District issued \$56,562,550 in general obligation bonds to advance refund \$52,690,000 of outstanding 2002 Series A and B bonds. The net proceeds of \$55,892,560 were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 Series A and B bonds maturing on or after August 1, 2014 and 2015, respectively. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

In February 2008, the District's voters approved by more than the required 55% favorable vote, Measure M, authorizing the issuance and sale of general obligation bonds, not to exceed \$500,000,000 to continue the goals of Measure P.

- On December 30, 2008, \$140,000,000 of Measure M general obligation bonds was sold (Series A). On June 18, 2009, \$73,102,389 (Series B) and \$45,210,000 (Series C) general obligation bonds were sold.

Measures P and M are Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2011**

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Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measures P and M including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Oversight Committee had the following members as of June 30, 2011, all of whom were appointed by the District's Board of Education with two year terms of office:

<b>Name</b>	<b>Title</b>	<b>Representation</b>
Ronald Coats	Chairperson	Active in a Business Organization
James Booth	Member	Active in a Senior Citizens' Organization
Susan Nieblas	Member	Active in a Bona Fide Taxpayers' Organization
Aaron Contreras	Member	Student who is Currently Enrolled in the District and Active in a Community College Group
Judi Battey	Member	Active in the Support and Organization of the Community Colleges of the District
Larry Edmundson	Member	Community -at- Large
Richard Greenhagen	Member	Community -at- Large
William Martinez	Member	Community -at- Large
Ronald Peavy	Member	Community -at- Large
Kent Van Gelder	Member	Community -at- Large



## INDEPENDENT AUDITORS' REPORT

Governing Board Members and  
Measures P and M Citizens' Oversight Committee  
San Bernardino Community College District  
San Bernardino, California

We have audited the accompanying balance sheet of the Proposition 39 Bond Building Fund of San Bernardino Community College District (the "District") as of June 30, 2011, and the related statement of revenues, expenditures and changes in fund balance for the fiscal year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of Measures P and M general obligation bonds as issued by the District, through the County of San Bernardino, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition 39 Bond Building Fund of San Bernardino Community College District as of June 30, 2011, and the results of its operations for the fiscal year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

SAN DIEGO

RANCHO CUCAMONGA

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*Licensed by the California Board of Accountancy*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2011 on our consideration of San Bernardino Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated October 29, 2011 on our consideration of San Bernardino Community College District's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2011 and should be considered in assessing the results of our financial audit.

*Cherry White Accountancy Corporation*

San Diego, California  
October 29, 2011

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## **FINANCIAL SECTION**

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**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Balance Sheet  
June 30, 2011**

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	<u>MEASURE P</u>	<u>MEASURE M</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash in county treasury	\$ 21,296,569	\$ 104,116,639	\$ 125,413,208
Investments	5,252	143,186,390	143,191,642
Accounts receivable	1,059,213	217,954	1,277,167
	<u>1,059,213</u>	<u>217,954</u>	<u>1,277,167</u>
Total Assets	<u>\$ 22,361,034</u>	<u>\$ 247,520,983</u>	<u>\$ 269,882,017</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,328,583	\$ 5,017,766	\$ 8,346,349
	<u>3,328,583</u>	<u>5,017,766</u>	<u>8,346,349</u>
Total Liabilities	<u>3,328,583</u>	<u>5,017,766</u>	<u>8,346,349</u>
<b>FUND BALANCE</b>			
Unreserved	<u>19,032,451</u>	<u>242,503,217</u>	<u>261,535,668</u>
Total Fund Balance	<u>19,032,451</u>	<u>242,503,217</u>	<u>261,535,668</u>
Total Liabilities and Fund Balance	<u>\$ 22,361,034</u>	<u>\$ 247,520,983</u>	<u>\$ 269,882,017</u>

The accompanying notes to financial statements are an integral part of this statement.



**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2011**

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	<u>MEASURE P</u>	<u>MEASURE M</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Interest income	\$ 297,460	\$ 1,208,609	\$ 1,506,069
Other local revenue	19,771	-	19,771
	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	317,231	1,208,609	1,525,840
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Capital outlay	14,415,003	17,893,120	32,308,123
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	14,415,003	17,893,120	32,308,123
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	(14,097,772)	(16,684,511)	(30,782,283)
	<hr/>	<hr/>	<hr/>
<b>Fund Balance, July 1, 2010</b>	33,130,223	259,187,728	292,317,951
	<hr/>	<hr/>	<hr/>
<b>Fund Balance, June 30, 2011</b>	<u>\$ 19,032,451</u>	<u>\$ 242,503,217</u>	<u>\$ 261,535,668</u>

The accompanying notes to financial statements are an integral part of this statement.

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The San Bernardino Community College District was established in 1926 and serves most of the County of San Bernardino and a small portion of the County of Riverside. The District includes two comprehensive community colleges, a Professional Development Center, and a television and radio station.

In November 2002, the District's voters approved by more than the required 55% favorable vote, Measure P, authorizing the issuance and sale of general obligation bonds, not to exceed \$190,000,000. Measure P was designed to provide funds to improve safety and infrastructure at San Bernardino Valley College and Crafton Hills College. Measure P will also provide funds for the construction of new classroom buildings and training centers. In February 2008, the District's voters approved by more than the required 55% favorable vote, Measure M, authorizing the issuance and sale of general obligation bonds, not to exceed \$500,000,000 to continue the goals of Measure P.

An oversight committee to the District's Governing Board and Superintendent, called the Citizens' Oversight Committee (COC), was established pursuant to the requirements of state law and the provisions of the Measure P and M bonds. The COC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The COC provides oversight and advises the public whether the District is spending the Measure P and M Bond funds for school capital improvements within the scope of projects outlined in the Measure P and M Bond project list. In fulfilling its duties, the COC reviews, among other things, the District's annual performance and financial audits of Measure P and M activity.

The statements presented are for the individual Proposition 39 Bond Building Fund of the District, consisting of the net construction proceeds of the Measure P and M general obligation bonds as issued by the District, through the County of San Bernardino, and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

**B. Accounting Policies**

The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**D. Encumbrances**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

**E. Deposits and Investments**

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the San Bernardino County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**F. Use of Estimates**

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

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**NOTE 2 – CASH AND INVESTMENTS**

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury 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. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

*Cash 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.

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule 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	40%	10%
Negotiable Certificates of Deposit	5 years	40%	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

**Authorized Under Debt Agreements**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2011, consist of the following:

	MEASURE P	MEASURE M	TOTAL
Cash in county treasury, at cost	\$ 21,296,569	\$ 104,116,639	\$ 125,413,208
Investments	5,252	143,186,390	143,191,642
Total Cash and Investments	<u>\$ 21,301,821</u>	<u>\$ 247,303,029</u>	<u>\$ 268,604,850</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in other investment agreements.

**Specific Identification and Credit Risk**

Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is indicated by the following schedule that shows the distribution of the District's investment by maturity. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2011. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. Since all District investment holdings are governmental securities, per California Government Code there is no minimum legal rating.

Investment or Deposit Type	Fair Market Value	Days to Maturity	Minimum Legal Rating	Rating 6/30/2011
Dreyfus Tax Exempt Cash Mgmt 675, CUSIP:599991920	\$ 125,596,642	N/A	Not Applicable	AAAm
San Bernardino County Investment Pool	125,413,208	360	Not Applicable	AA+
Huntington Beach UHSD CTFS, CUSIP:440231AL6	635,000	1872	Not Applicable	AA+
Huntington Beach UHSD CTFS, CUSIP:446231AM4	5,190,000	4482	Not Applicable	AA+
Huntington Beach UHSD CFTS, CUSIP:446231AN2	10,260,000	6829	Not Applicable	AA+
Paramount Calif CTFS, CUSIP:699213BE3	490,000	1089	Not Applicable	AA+
Paramount Calif CTFS, CUSIP:699213BF0	1,020,000	4220	Not Applicable	AA+
	<u>\$ 268,604,850</u>			

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**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. Investments within the San Bernardino County Investment Pool are rated at least A by Moody's Investors Service.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable amounting to \$1,059,213 and \$217,954 for Measures P and M, respectively, as of June 30, 2011 consists of interest earned on investments.

**NOTE 4 – CONSTRUCTION COMMITMENTS**

Construction commitments for Measures P and M consist of the following projects:

	Costs as of <u>June 30, 2011</u>	Estimated Costs <u>to Complete</u>
SBVC North Hall Building	\$ 29,011,992	\$ 733,208
SBVC Gymnasium and Pools	1,359,981	12,576,053
SBVC Business Bldg Renovation	982,634	14,231,987
SBVC Sitework/ADA	258,275	4,516,195
CHC Science Portable Classrooms	2,893,912	778,233
CHC Central Plant/Energy Systems	404,617	540,395
SBVC Central Plant/Infrastructure	2,063,683	13,786,476
CHC Parking Structure #1	2,103,275	402,045
SBVC Parking Structure #1	3,062,309	211,357
CHC Campuswide Parking/Lighting	6,129,288	3,493,028
CHC Wellness Pool	284,642	16,459
SBVC Stadium and Field Improvements	55,646	2,404,354
CHC Student Services Building	593,606	33,597,312
New District Building	177,415	1,822,585
SBVC Auditorium Renovation	63,943	3,485,184
SBVC Cafeteria HVAC Upgrades	52,688	386,310
Totals	<u>\$ 49,497,906</u>	<u>\$ 92,981,181</u>

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 5 – MEASURES P AND M GENERAL OBLIGATION BONDS**

As of June 30, 2011, the principal balance outstanding on the District’s Measure P and M general obligation bonds is indicated as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	As Restated Bonds Outstanding, July 1, 2010	Accreted Interest Addition	Redeemed	Bonds Outstanding, June 30, 2011
5/1/2003	8/1/2014	2.0-5.0%	\$ 50,000,000	\$ 3,705,000	\$ -	\$ 765,000	\$ 2,940,000
2/12/2004	8/1/2015	2.25-5.25%	20,000,000	1,470,000	-	205,000	1,265,000
3/22/2005	8/1/2023	12.0%*	56,562,550	52,038,416	462,068	1,930,000	50,570,484
8/22/2006	8/1/2031	4.25-5.0%	100,000,000	100,000,000	-	-	100,000,000
12/17/2008	8/1/2033	3.75-6.5%	140,000,000	140,000,000	-	-	140,000,000
6/9/2009	8/1/2033	6.02-10.0%	4,999,797	5,231,999	398,552	-	5,630,551
6/9/2009	8/1/2033	7.63%	15,000,000	15,000,000	-	-	15,000,000
6/9/2009	8/1/2048	6.78-11.5%	73,102,389	76,394,186	5,640,381	-	82,034,567
6/9/2009	8/1/2044	6.375-7.63%	45,210,000	45,210,000	-	-	45,210,000
			Totals	\$ 439,049,601	\$ 6,501,001	\$ 2,900,000	\$ 442,650,602

\*Effective interest rate - 5.07-5.14%

**2002 Election**

In May 2003, \$50,000,00 of Measure P general obligation bonds were sold (Series A), and in February 2004, an additional \$20,000,000 of general obligation bonds were sold (Series B). In September 2006, \$100,000,000 of general obligation bonds were sold (Series C). On June 18, 2009 \$4,999,797 (Series D) and \$15,000,000 (Series E) general obligation bonds were sold. Proceeds from the sale of the bonds have been or will be used to finance the acquisition, construction, reconstruction, and modernization of certain property and District facilities.

**2005 Refunding**

On April 7, 2005, the District issued \$56,562,550 in general obligation bonds to advance refund \$52,690,000 of outstanding 2002 Series A and B bonds. The net proceeds of \$55,892,560 were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 Series A and B bonds maturing on or after August 1, 2014 and 2015, respectively. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements.

**2008 Election**

On December 30, 2008, \$140,000,000 of Measure M general obligation bonds was sold (Series A). On June 18, 2009, \$73,102,389 (Series B) and \$45,210,000 (Series C) general obligation bonds were sold.



**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2011**

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**NOTE 5 – MEASURES P AND M GENERAL OBLIGATION BONDS (continued)**

The annual requirements to amortize all Measure P and M general obligation bonds payable outstanding as of June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 3,424,085	\$ 20,599,328	\$ 24,023,413
2013	4,055,926	20,614,962	24,670,888
2014	4,757,736	20,601,543	25,359,279
2015	5,011,848	20,533,406	25,545,254
2016	5,598,097	20,445,041	26,043,138
2017-2021	41,105,144	101,207,178	142,312,322
2022-2026	56,304,188	109,548,560	165,852,748
2027-2031	121,275,781	77,100,153	198,375,934
2032-2036	94,399,580	66,202,929	160,602,509
2037-2041	50,848,174	130,698,987	181,547,161
2042-2046	31,653,457	183,905,243	215,558,700
2047-2049	12,585,722	186,934,278	199,520,000
Subtotal	431,019,738	958,391,608	1,389,411,346
Accreted Interest	11,630,864	(11,630,864)	-
Totals	<u>\$ 442,650,602</u>	<u>\$ 946,760,744</u>	<u>\$ 1,389,411,346</u>

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## **SUPPLEMENTARY INFORMATION**

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**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Schedule of Expenditures by Project for Measure P  
June 30, 2011**

Approved Measure P Bond Projects	Total Project Costs Through June 30, 2010	Costs Incurred During Current Year	Total Project Costs Through June 30, 2011
SBVC Football Field Refurbishment	\$ 981,167	\$ -	\$ 981,167
SBVC Retrofits & Modernization Projects	2,401,987	-	2,401,987
SBVC Student Health Services	1,726,415	-	1,726,415
SBVC Child Development Center	5,479,091	-	5,479,091
SBVC Infrastructure	11,176,037	-	11,176,037
SBVC FEMA Seismic Mitigation Project	42,757,900	-	42,757,900
SBVC FEMA Furniture	2,108,502	-	2,108,502
SBVC Demolition	3,706,544	-	3,706,544
SBVC Data Building	459,081	-	459,081
SBVC Campus Master Planning Services	1,584,773	-	1,584,773
SBVC - North Hall Seismic Replacement	11,992,186	2,628,933	14,621,119
SBVC - Chemistry/Physical Science Seismic Replacement	12,166,224	5,502,959	17,669,183
SBVC - North Hall Media Comm Seismic Replacement	7,940,310	2,266,975	10,207,285
SBVC - Maintenance & Operations Building Replacement	5,423,474	931	5,424,405
SBVC - Project Management	2,896,545	-	2,896,545
CHC Fire Training Facility	150,000	-	150,000
CHC Administrative Services	2,392,864	-	2,392,864
CHC Energy Updates	6,365,614	-	6,365,614
CHC Infrastructure	19,266,032	236,732	19,502,764
CHC Project Management	4,356,541	-	4,356,541
CHC Seismic Environmental Services	467,827	-	467,827
CHC Humanities Building	114,414	-	114,414
CHC Arts & Lecturers Building	130,100	-	130,100
CHC Campus Master Planning Services	1,179,886	-	1,179,886
CHC - Learning Resource Center	16,547,796	2,858,867	19,406,663
CHC - Community Recreation Facility	10,700,355	880,078	11,580,433
District - New Office building	-	39,527	39,527
District - Applied Technology Training Center	3,357,706	-	3,357,706
<b>Totals</b>	<b>\$ 177,829,373</b>	<b>\$ 14,415,002</b>	<b>\$ 192,244,375</b>

**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Schedule of Expenditures by Project for Measure M  
June 30, 2011**

Approved Measure M Bond Projects	Total Project Costs Through June 30, 2010	Costs Incurred During Current Year	Total Project Costs Through June 30, 2011
SBVC Gymnasiums and Pools	\$ 8,686	\$ 1,258,094	\$ 1,266,780
SBVC Business Building Renovation	316,192	860,145	1,176,337
SBVC Site Infrastructure/ ADA Compliance Project	12,851	227,521	240,372
SBVC Cafeteria	600	49,083	49,683
SBVC Central Plant/Infrastructure	162,353	1,757,178	1,919,531
SBVC Stadium & Field Improvements	-	51,839	51,839
SBVC Auditorium Renovation	-	59,568	59,568
SBVC Parking Structure #1	889,839	1,946,848	2,836,687
District - New Office Building	-	1,618,143	1,618,143
CHC Science Portable Classroom	78,534	2,930,507	3,009,041
CHC Student Services Building	-	618,316	618,316
CHC Science Building	-	2,997	2,997
CHC Central Plant/Energy System	60,672	356,670	417,342
CHC Lighting/ADA Upgrades	1,082,730	5,232,115	6,314,845
CHC Parking Structure #1	1,444,863	657,805	2,102,668
CHC Wellness Pool	28,309	266,291	294,600
Totals	\$ 4,085,629	\$ 17,893,120	\$ 21,978,749

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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

Governing Board Members and  
Measures P and M Citizens' Oversight Committee  
San Bernardino Community College District  
San Bernardino, California

We have audited the financial statements of the Proposition 39 Bond Building Fund of San Bernardino Community College District (the "District") as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Bernardino Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Bernardino Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Bernardino Community College District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**SAN DIEGO**

**RANCHO CUCAMONGA**

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Proposition 39 Bond Building Fund of San Bernardino Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's Governing Board, the Measures P and M Citizens' Oversight Committee, management, others within the entity, and the taxpayers of San Bernardino Community College District, and is not intended to be and should not be used by anyone other than these specified parties.

*Chint White Accountancy Corporation*

San Diego, California  
October 29, 2011



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and  
Measures P and M Citizens' Oversight Committee  
San Bernardino Community College District  
San Bernardino, California

We have audited the financial statements of the Proposition 39 Bond Building Fund of the San Bernardino Community College District (the "District") as of and for the fiscal year ended June 30, 2011 and have issued our report thereon dated October 29, 2011. Our audit was made in accordance with generally accepted auditing standards in the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Measure P and M General Obligation Bonds for the fiscal year ended June 30, 2011. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

- The proceeds of the sale of the Measure P and M Bonds were only used for the purposes set forth in the Measure P and M ballot language and not for any other purpose, such as teacher and administrative salaries.

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In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

<b>Internal Control Evaluation</b>
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Procedures Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud or waste regarding Measure P and M projects, including budgetary controls
- Ensure adequate separation of duties exists in the fiscal services department for Measure P and M funds
- Prevent material misstatements in the financial statements
- Ensure expenditures are allocated to the proper fund(s)
- To follow applicable regulations, including regulations related to bidding and contract management

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2010-11 financial statement balances for the Proposition 39 Bond Building Fund are not materially misstated.

Results of Procedures Performed:

The result of our audit tests show that internal control procedures appear to be working to meet the financial and compliance objectives required by generally accepted accounting standards and applicable laws and regulations. An unqualified opinion was expressed on the financial statements.

<b>Facilities Site Walk</b>
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Procedures Performed:

We performed a site walk to verify that Measure P and M funds expended for the fiscal year ended June 30, 2011 were for valid facilities acquisition and construction purposes. CWA toured multiple District construction sites at both campuses, where construction work had commenced: San Bernardino Valley College (chemistry and science building phases 1 and 2, auditorium chiller installation) and Crafton Hills College (parking lot and lighting upgrades, science and mathematics modular building project, data hub relocation).

Results of Procedures Performed:

Results of the site walks indicate that the major 2010-11 Measure P and M construction projects at San Bernardino Valley College and Crafton Hills College were successfully completed and advanced into 2011-12 expenditure/construction phases where applicable.

## Test of Expenditures

### Procedures Performed:

The following performance tests of expenditures and transfers were performed:

We tested approximately \$2.6 million (18.3%) of the 2010-11 Measure P expenditures (27 separate payments) and approximately \$3.4 million (19.0%) of the 2010-11 Measure M expenditures (30 separate payments) for validity, allowability and accuracy. Expenditures sampled in our test included payments made to contractors, consultants and other vendors.

### Results of Procedures Performed:

We found the expenditures and transfers tested to be in compliance with the terms of the Measure P and M ballot measures, Facilities Plan, and applicable state laws and regulations without exception.

## Test of Contracts and Bid Procedures

### Procedures Performed:

For the fiscal year ended June 30, 2011, we performed testing of five contracts to determine compliance with District policy and the provisions of the California Public Contract Code. We determined in our testing whether proper bidding and approval procedures were followed for the contracts selected.

### Results of Procedures Performed:

We found that the contracts tested followed proper bidding procedures, and were awarded in all cases to the lowest responsible bidder.

Our audit of compliance was made for the purposes set forth in the second and third paragraphs of this report would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied, in all material respects, with the compliance requirements for the Measures P and M General Obligation Bonds as listed and tested above.

This report is intended solely for the information and use of the Measures P and M Citizens' Bond Oversight Committee, the District's Governing Board, management, and the taxpayers of San Bernardino Community College District and is not intended to be and should not be used by anyone other than these specified parties.

*Christie White Accountancy Corporation*

San Diego, California  
October 29, 2011

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**SCHEDULE OF FINDINGS  
AND RECOMMENDATIONS**

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**PROPOSITION 39 BOND BUILDING FUND  
OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended June 30, 2011**

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There were no findings or recommendations related to the audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2011.