

**SAN BERNARDINO COMMUNITY
COLLEGE DISTRICT**

SAN BERNARDINO COUNTY

**PROPOSITION 39
BOND CONSTRUCTION FUND
FINANCIAL AND PERFORMANCE AUDITS**

JUNE 30, 2010

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 BOND CONSTRUCTION FUND
CONTENTS
JUNE 30, 2010

	PAGE
Financial Audit of the Measure P and Measure M Bond Construction Fund	
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	2
Statement of Revenues, Expenditures, and Changes in Fund Balance	3
Notes to Financial Statements	4
Performance Audit	
Independent Auditors' Report on Proposition 39/Measure P and Measure M Compliance	
Requirements	8
Procedures Performed	9
Schedule of Expenditures by Project for Measure P	10
Schedule of Expenditures by Project for Measure M	11
Schedule of Findings and Questioned Costs - Summary of Auditors' Results	12

EDEN C. CASARENO, C.P.A.
DEBORAH L. CROWLEY, C.P.A.
TODD C. LANDRY, C.P.A.



ADRIENNE J. LINDGREN, C.P.A.
JOHN F. PRENTICE, C.P.A.
DAVID M. THAYER, C.P.A.
FRANK M. ZABALETA, C.P.A.

*Certified Public Accountants
and
Business Advisors*

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
The Citizens' Oversight Committee
San Bernardino Community College District
Proposition 39 Bond Construction Fund
San Bernardino, California

We have audited the accompanying financial statements of the San Bernardino Community College District (SBCCD) Proposition 39 Bond Construction Fund as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the SBCCD Proposition 39 Bond Construction Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of the SBCCD Proposition 39 Bond Construction Fund in accordance with auditing standards generally accepted in the United States of America. 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 1, the financial statements present only the SBCCD Proposition 39 Bond Construction Fund and do not purport to, and do not, present fairly the financial position of the San Bernardino Community College District, as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SBCCD Proposition 39 Bond Construction Fund as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

November 4, 2010

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
 PROPOSITION 39 BOND CONSTRUCTION FUND
BALANCE SHEET
 JUNE 30, 2010

	<u>MEASURE P</u>	<u>MEASURE M</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 37,261,130	\$ 203,785,479	\$ 241,046,609
Investments	-	55,860,000	55,860,000
Interest receivable	99,829	346,297	446,126
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 37,360,959</u>	<u>\$ 259,991,776</u>	<u>\$ 297,352,735</u>
LIABILITIES			
Accounts payable	\$ 4,230,736	\$ 804,048	\$ 5,034,784
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4,230,736</u>	<u>804,048</u>	<u>5,034,784</u>
FUND BALANCE			
Restricted	33,130,223	259,187,728	292,317,951
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>33,130,223</u>	<u>259,187,728</u>	<u>292,317,951</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 37,360,959</u>	<u>\$ 259,991,776</u>	<u>\$ 297,352,735</u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
 PROPOSITION 39 BOND CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>MEASURE P</u>	<u>MEASURE M</u>	<u>TOTAL</u>
REVENUE			
Revenue From Local Sources			
Interest and investment income	\$ 472,419	\$ 3,249,330	\$ 3,721,749
Total Revenue From Local Sources	<u>472,419</u>	<u>3,249,330</u>	<u>3,721,749</u>
Total Revenue	<u>472,419</u>	<u>3,249,330</u>	<u>3,721,749</u>
EXPENDITURES			
Capital outlay	28,480,317	4,085,629	32,565,946
Total Expenditures	<u>28,480,317</u>	<u>4,085,629</u>	<u>32,565,946</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,007,898)	(836,299)	(28,844,197)
FUND BALANCE AT JULY 1, 2009	<u>61,138,121</u>	<u>260,024,027</u>	<u>321,162,148</u>
FUND BALANCE AT JUNE 30, 2010	<u>\$ 33,130,223</u>	<u>\$ 259,187,728</u>	<u>\$ 292,317,951</u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 BOND CONSTRUCTION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. **NATURE OF ACTIVITIES**

These financial statements present only the San Bernardino Community College District Proposition 39 Bond Construction Fund and do not purport to present the financial position or the changes in financial position of San Bernardino Community College District (District or SBCCD).

On November 5, 2002, the voters of San Bernardino Community College District approved Measure P, a \$190 million bond measure 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.

On February 5, 2008, the voters of San Bernardino Community College District approved Measure M, a \$500 million bond measure designed to continue the goals of Measure P above.

Because Measure P and Measure M were bond elections under Proposition 39, the District was obligated to establish a Citizens' Oversight Committee in order to satisfy the accountability requirements of Proposition 39. Regulated by the Ralph M. Brown Public Meetings Act, the committee reviews expenditure reports to ensure that (a) bond proceeds are expended only for the purpose set forth in the ballot measure and (b) no bond proceeds are used for any teacher or administrative salaries or operating expenses.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

B. **Basis of Accounting**

The SBCCD Proposition 39 Bond Construction Fund is maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

NOTES TO FINANCIAL STATEMENTS (Continued)

The statement of revenues, expenditures, and changes in fund balance is a statement of financial activities of the SBCCD Proposition 39 Bond Construction Fund related to the current reporting period. Expenditures of the fund frequently include amounts for land, buildings, equipment, and transfers to other funds. Consequently, these statements do not purport to present the results of operations or the net income or loss for the period as would a statement of income for a for-profit-type organization.

C. **Cash and Cash Equivalents**

The District considers all highly liquid investments with an initial maturity of three months or less, from the date of acquisition, to be cash equivalents. Funds invested in the County treasurer's investment pool are considered cash equivalents. Cash in the County treasury is recorded at cost, which approximates fair value.

D. **Accounts Receivable**

Accounts receivable consisted of accrued interest receivable at June 30, 2010. There was no allowance for doubtful accounts as of June 30, 2010.

E. **Investments**

Investments consisted of fixed-income municipal bonds at June 30, 2010. Investments are stated at fair value, which is the same as cost.

F. **Subsequent Events**

Management has evaluated subsequent events through November 4, 2010, which is the date the financial statements were available to be issued.

3. **MEASURE P BONDS**

In May 2003, the District issued the Election of 2002 General Obligation Bonds, Series A in the amount of \$50,000,000.

In February 2004, the District issued the Election of 2002 General Obligation Bonds, Series B in the amount of \$20,000,000.

On April 7, 2005, the District issued \$56,562,550 in general obligation bonds to advance refund a portion of the outstanding 2002 Series A and B bonds. The District received proceeds of \$64,499,333, of which \$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. As a result, \$52,690,000 of the Series A and B bonds are considered defeased and no longer outstanding. The Measure P Bond Construction Fund received \$7,731,921 after payment of \$874,852 in underwriting fees, insurance, and other issuance costs.

NOTES TO FINANCIAL STATEMENTS (Continued)

In September 2006, the District issued the Election of 2002 General Obligation Bonds, Series C in the amount of \$100,000,000.

In June 2009, the District issued the Election of 2002 General Obligation Bonds, Series D and E in the amount of \$19,999,796.

4. MEASURE M BONDS

In December 2008, the District issued the Election of 2008 General Obligation Bonds, Series A in the amount of \$140,000,000.

In June 2009, the District issued the Election of 2008 General Obligation Bonds, Series B and C in the amount of \$118,312,390.

5. CONSTRUCTION COMMITMENTS

As of June 30, 2010, the District had commitments of \$247,082,057 with respect to unfinished general obligation bond funded capital projects.

6. CASH AND INVESTMENTS

Cash and cash equivalents and investments consisted of the following:

	<u>AMOUNT</u>
DEPOSITS	
Cash in County Treasury	\$ 153,804,446
Short-term funds	<u>87,242,163</u>
	241,046,609
INVESTMENTS	
Fixed-income funds	<u>55,860,000</u>
TOTAL CASH AND INVESTMENTS	<u><u>\$ 296,906,609</u></u>

Generally, 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. Presented below is the rating by Moody's, as of year-end, for each investment type:

<u>INVESTMENT TYPE</u>	<u>TOTAL AS OF JUNE 30, 2010</u>	<u>VMIG 1</u>	<u>UNRATED</u>
Cash in County Treasury	\$ 153,804,446		\$ 153,804,446
Short-term funds	87,242,163		87,242,163
Fixed-income funds	55,860,000	\$ 55,860,000	

NOTES TO FINANCIAL STATEMENTS (Continued)

As provided for by the Education Code Section 41001, a significant portion of the District's cash is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. These pooled funds are carried at cost, which approximates fair value. Interest earned on such pooled cash balances is distributed to the participating funds based on each fund's average cash balance during the distribution period. Any investment losses are proportionately shared by all funds in the pool.

An investors committee reviews and monitors the County Treasurer's investments. The District is represented by the County Superintendent of Schools.

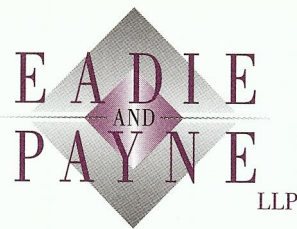
At June 30, 2010, investments in debt securities classified as available for sale mature as follows:

<u>MATURITY</u>	<u>AMOUNT</u>
5-10 Years	\$ 15,440,000
10-15 Years	-
15-20 Years	6,210,000
20-25 Years	17,840,000
25-31 Years	<u>16,370,000</u>
TOTAL	<u>\$ 55,860,000</u>

The District maintains investments in municipal bonds and certificates of participation with various school districts in Southern California. The following investments exceed 5% of total amounts currently invested:

<u>INVESTMENTS</u>	<u>AMOUNT</u>
Grant Joint Union High School District	\$ 17,840,000
Grant Joint Union High School District	14,300,000
Huntington Beach Union High School District	10,260,000

EDEN C. CASARENO, C.P.A.
DEBORAH L. CROWLEY, C.P.A.
TODD C. LANDRY, C.P.A.



ADRIENNE J. LINDGREN, C.P.A.
JOHN F. PRENTICE, C.P.A.
DAVID M. THAYER, C.P.A.
FRANK M. ZABALETA, C.P.A.

*Certified Public Accountants
and
Business Advisors*

**INDEPENDENT AUDITORS' REPORT
ON PROPOSITION 39/MEASURE P AND MEASURE M
COMPLIANCE REQUIREMENTS**

The Board of Trustees and
The Citizens' Oversight Committee
San Bernardino Community College District
Proposition 39 Bond Construction Fund
San Bernardino, California

We have examined San Bernardino Community College District's compliance with the performance requirements for the Proposition 39/Measure P and Measure M General Obligation Bonds for the period from July 1, 2009 through June 30, 2010. The District's management is responsible for the San Bernardino Community College District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about San Bernardino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on San Bernardino Community College District's compliance with specified requirements.

In our opinion, San Bernardino Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

Eadie and Payne, LLP

November 4, 2010

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 BOND CONSTRUCTION FUND
PROPOSITION 39 PERFORMANCE AUDIT
PROCEDURES PERFORMED
JUNE 30, 2010

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2010 for the San Bernardino Community College District Proposition 39 Bond Construction Fund. We obtained the actual invoices and other supporting documentation for expenditures on a sample basis to ensure compliance with Proposition 39 Measure P and Measure M. We performed the following procedures:

- We reviewed the ballot propositions of the San Bernardino Community College District Bond Measures outlining the projects to be funded from the bond proceeds.
- We selected expenditures during the period July 1, 2009 to June 30, 2010 for testing on a sample basis. We reviewed supporting documentation for items selected to ensure that funds were properly expended on the specific projects approved by the Board of Trustees and that these projects were in conformity with the ballot text.
- We compared total expenditures to date for each project to the project budgets.
- We verified that funds were generally used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, and we verified that funding was not spent for teacher or administrative salaries or other school operating expenses.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 BOND CONSTRUCTION FUND
PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF EXPENDITURES BY PROJECT FOR MEASURE P
JUNE 30, 2010**

	REVISED BUDGET	TOTAL PROJECT COSTS THROUGH JUNE 30, 2009	2010 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH JUNE 30, 2010
APPROVED BOND PROJECTS				
SBVC Football Field Refurbishment	\$ 981,167	\$ 981,167	-	\$ 981,167
SBVC Retrofits and Modernization Projects	2,401,987	2,401,987	-	2,401,987
SBVC Student Health Services	1,862,047	1,726,120	\$ 295	1,726,415
SBVC Child Development Center	5,512,633	5,479,091	379	5,479,470
SBVC Infrastructure	11,176,037	11,176,037	-	11,176,037
SBVC FEMA Seismic Mitigation Project	42,757,900	42,757,900	-	42,757,900
SBVC FEMA Furniture	2,108,502	2,108,502	-	2,108,502
SBVC Demolition	3,706,544	3,706,544	-	3,706,544
SBVC Data Building	459,081	459,081	-	459,081
SBVC Campus Master Planning Services	1,584,773	1,584,773	-	1,584,773
SBVC - North Hall Seismic Replacement	23,190,716	8,953,800	3,038,386	11,992,186
SBVC - Chemistry/Physical Science Seismic Replacement	25,452,569	8,562,804	3,603,421	12,166,225
SBVC - North Hall Media Comm. Seismic Replacement	9,559,740	5,523,699	2,416,611	7,940,310
SBVC - Maintenance and Operations Building Replacement	5,696,044	5,160,724	262,749	5,423,473
SBVC - Project Management Fees for Measure P Projects	2,896,545	2,896,545	-	2,896,545
CHC Fire Training Facility	150,000	150,000	-	150,000
CHC Administrative Services Remodel	2,392,864	2,392,864	-	2,392,864
CHC Energy Updates	6,365,614	6,365,614	-	6,365,614
CHC Infrastructure	30,768,521	19,266,032	6,056,099	25,322,131
CHC Project Management Fees for Measure P Projects	4,356,541	4,356,541	-	4,356,541
CHC Seismic Environmental Services	467,827	467,827	-	467,827
CHC Humanities Building	114,414	114,414	-	114,414
CHC Arts and Lecturers Building	130,100	130,100	-	130,100
CHC Campus Master Planning Services	1,179,886	1,179,886	-	1,179,886
CHC Learning Resource Center	21,284,988	10,280,289	6,267,507	16,547,796
CHC Community Recreation Facility	12,185,297	3,865,485	6,834,870	10,700,355
District Applied Technology Training Center	3,357,707	3,357,707	-	3,357,707
TOTALS	<u>\$ 222,100,044</u>	<u>\$ 155,405,533</u>	<u>\$ 28,480,317</u>	<u>\$ 183,885,850</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 BOND CONSTRUCTION FUND
PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF EXPENDITURES BY PROJECT FOR MEASURE M
JUNE 30, 2010**

	REVISED BUDGET	TOTAL PROJECT COSTS THROUGH JUNE 30, 2009	2010 ACTUAL COSTS	TOTAL PROJECT COSTS THROUGH JUNE 30, 2010
APPROVED BOND PROJECTS				
SBVC Gymnasiums and Pools	\$ 1,742,379	-	\$ 8,686	\$ 8,686
SBVC Business Building Renovation	1,754,025	-	316,192	316,192
SBVC Site Infrastructure and ADA Compliance Project	280,665	-	12,851	12,851
SBVC Cafeteria	189,051	-	600	600
SBVC Central Plant and Infrastructure	13,228,798	-	162,353	162,353
SBVC Parking Structure #1	4,375,797	-	889,839	889,839
CHC Science Portable Classroom	913,694	-	78,534	78,534
CHC Central Plant and Energy System	483,763	-	60,672	60,672
CHC Parking Structure #1	3,564,041	-	1,444,863	1,444,863
CHC Campus-wide Parking and Lighting	2,085,345	-	1,082,730	1,082,730
CHC Wellness Pool	516,490	-	28,309	28,309
TOTALS	<u>\$ 29,134,048</u>	<u>\$ -</u>	<u>\$ 4,085,629</u>	<u>\$ 4,085,629</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
PROPOSITION 39 BOND CONSTRUCTION FUND
PROPOSITION 39 PERFORMANCE AUDIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY OF AUDITORS'
RESULTS
JUNE 30, 2010**

There were no findings and no questioned costs related to the use of the San Bernardino Community College District Proposition 39 Bond Construction funds for the year ended June 30, 2010.