

**SAN BERNARDINO  
COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORTS**

**June 30, 2011**

**SAN BERNARDINO VALLEY COLLEGE  
SAN BERNARDINO, CALIFORNIA**

**CRAFTON HILLS COLLEGE  
YUCAIPA, CALIFORNIA**

**PROFESSIONAL DEVELOPMENT CENTER  
SAN BERNARDINO, CALIFORNIA**

**SAN BERNARDINO COUNTY**



**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2011  
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**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
AUDIT REPORT  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
San Bernardino Community College District  
San Bernardino, California

We have audited the accompanying basic financial statements of the San Bernardino Community College District (the District) as of and for the fiscal years ended June 30, 2011. These basic financial statements are the responsibility of the San Bernardino Community College District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the San Bernardino Community College District as of June 30, 2011, and the respective changes in financial position and cash flows, for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

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

SAN DIEGO

RANCHO CUCAMONGA

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tel. 619.270.8222 • [www.cwacpa.com](http://www.cwacpa.com) • fax. 619.260.9085

*Licensed by the California Board of Accountancy*

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, consisting principally of inquiring of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming opinions on the financial statements that collectively comprise San Bernardino Community College District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Chintala Accountancy Corporation*

San Diego, California  
October 29, 2011

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

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**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended 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.

As an independent division of San Bernardino Community College District, the Economic Development and Corporate Training Division carries out the economic and workforce development mission of the District through its two dedicated workforce training facilities: the Professional Development Center (PDC) and the Donald F. Averill Applied Technology Training Center (ATTC). The Division offers customized and short-term training programs to residents in the Inland Empire, including San Bernardino, Colton, Rialto, Highland, Bloomington, Grand Terrace, Redlands, Loma Linda, Yucaipa, and Big Bear.

The following discussion and analysis provides an overview of the financial position and activities of the San Bernardino Community College District (the "District") for the year ended June 30, 2011. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follows this section.

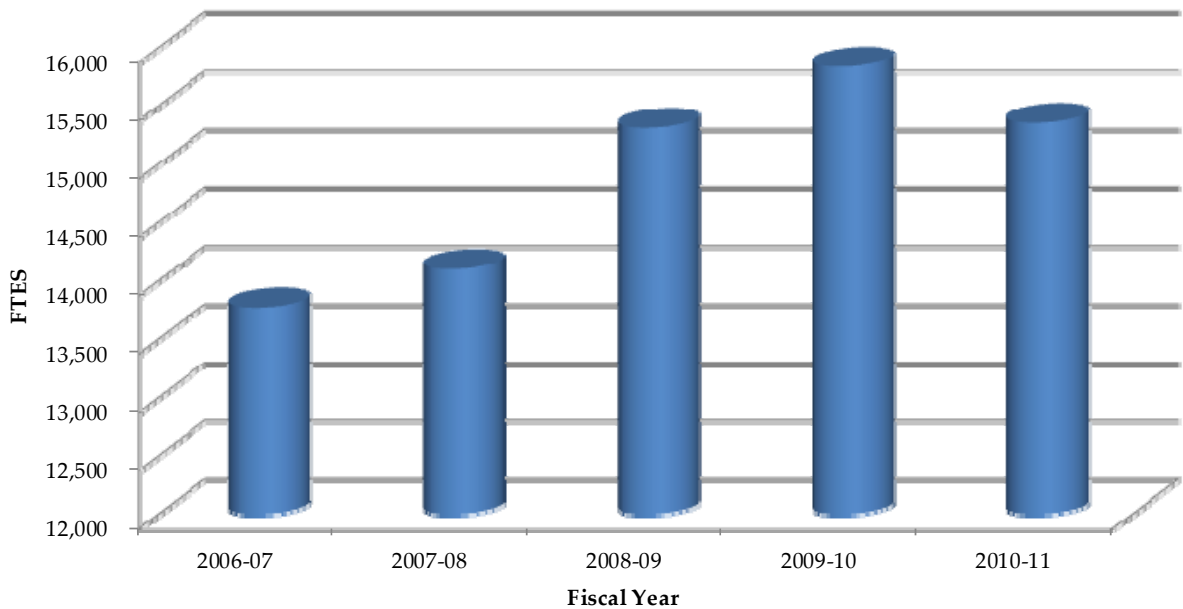
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**SELECTED HIGHLIGHT**

- During fiscal year 2010-11, total Full time Equivalent Students (FTES) declined by 446.95 students (2.84%) for credit courses and declined by 34.47 students (42.72%) for non-credit courses.

**Trend of Full Time Equivalent Students as reported on the annual report**



Full Time Equivalent Students	2006-07	2007-08	2008-09	2009-10	2010-11
Credit	13,753.86	14,092.98	15,291.46	15,757.40	15,310.45
Non-Credit	20.64	9.80	22.12	80.69	46.22
<b>Totals</b>	<b>13,774.50</b>	<b>14,102.78</b>	<b>15,313.58</b>	<b>15,838.09</b>	<b>15,356.67</b>
Credit % Increase (Decrease)	3.59%	2.47%	8.50%	3.05%	-2.84%
Non-Credit % Increase (Decrease)	80.58%	-52.52%	125.71%	264.78%	-42.72%
<b>Totals</b>	<b>3.71%</b>	<b>2.43%</b>	<b>8.67%</b>	<b>4.38%</b>	<b>-2.96%</b>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35 on July 1, 2002. This adoption changed the format and the content of the District's basic financial statements. The District is following the Business Type Activity (BTA) model. Rather than issuing fund-type financial statements, these Statements require the following components to be included in the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements including Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows for the District as a whole.
- Notes to Financial Statements

Additionally, fund balance is referred to as Net Assets, and the Statements of Cash Flows are presented using the direct method.

The basic financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

**Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets, liabilities, and net assets.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities is one indicator of the current financial condition of the District: the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Statement of Net Assets (continued)**

The Net Assets are divided into three major categories. The first category, invested in capital assets, net of related debt provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets: these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the asset. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

A summary of the Statement of Net Assets as of June 30, 2011 and June 30, 2010 is shown below (amounts in thousands):

	Governmental Activities		
	2011	2010	Net Change
<b>ASSETS</b>			
Current assets	\$ 360,083	\$ 60,872	\$ 299,211
Non-current assets	336,961	630,895	(293,934)
<b>Total Assets</b>	<u>697,044</u>	<u>691,767</u>	<u>5,277</u>
<b>LIABILITIES</b>			
Current liabilities	29,133	35,393	(6,260)
Non-current liabilities	463,110	463,511	(401)
<b>Total Liabilities</b>	<u>492,243</u>	<u>498,904</u>	<u>(6,661)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	161,019	153,872	7,147
Restricted	40,981	31,981	9,000
Unrestricted	2,800	7,010	(4,210)
<b>Total Net Assets</b>	<u>\$ 204,800</u>	<u>\$ 192,863</u>	<u>\$ 11,937</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statements of Revenues, Expense, and Changes in Net Assets represent the operating results of the District. The purpose of the statements is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. Thus, these statements present the District's results of operations.

Changes in total net assets, as indicated on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Assets.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2011 and June 30, 2010 is summarized below (amounts in thousands):

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Net Change</u>
<b>Revenues</b>			
Tuition and fees (net)	\$ 7,103	\$ 6,574	\$ 529
Grants and contracts, noncapital	33,118	29,784	3,334
Auxiliary enterprises sales	4,806	5,292	(486)
General revenues - property taxes	36,693	31,776	4,917
General revenues - unrestricted federal and state aid	63,379	60,251	3,128
General revenues - other	21,465	55,688	(34,223)
<b>Total Revenue</b>	<u>166,564</u>	<u>189,365</u>	<u>(22,801)</u>
<b>Expenses</b>			
Operating expenses	128,634	129,232	(598)
Interest	24,617	19,712	4,905
<b>Total Expenses</b>	<u>153,251</u>	<u>148,944</u>	<u>4,307</u>
<b>Change in net assets</b>	<u>\$ 13,313</u>	<u>\$ 40,421</u>	<u>\$ (27,108)</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Statement of Cash Flows**

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash use by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The Statement of Cash Flows for the fiscal years ended June 30, 2011 and June 30, 2010 is summarized below (amounts in thousands):

	<u>2011</u>	<u>2010</u>
Operating activities	\$ (80,961)	\$ (78,054)
Noncapital financing activities	96,366	94,971
Capital and related financing activities	(39,678)	(55,698)
Investing activities	<u>(80,948)</u>	<u>(49,280)</u>
Net Change in Cash and Cash Equivalents	(105,221)	(88,061)
Cash and Cash Equivalents - Beginning of Year	295,249	383,311
Cash and Cash Equivalents - End of Year	<u>\$ 190,028</u>	<u>\$ 295,250</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District Fiduciary Responsibility**

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. Net assets of fiduciary activities are excluded from the District's net assets because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Capital Assets**

As of June 30, 2011, the District had approximately \$393.1 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other equipment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$56.1 million, leaving a net asset amount of \$337.0 million.

Note 5 to the financial statements provides detail information on capital assets. A summary of capital assets net of accumulated depreciation and changes therein is presented below (amounts in thousands):

	Governmental Activities		
	2011	2010	Net Change
Land and construction in progress	\$ 53,907	\$ 145,806	\$ (91,899)
Buildings and equipment	339,154	204,887	134,267
Accumulated depreciation	(56,100)	(50,660)	(5,440)
<b>Total Capital Assets</b>	<b>\$ 336,961</b>	<b>\$ 300,033</b>	<b>\$ 36,928</b>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2011**

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**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

State funding for community colleges is largely based upon the funding model designed by Prop 98, which establishes a minimum funding level for education. Currently the State of California is in the midst of a budget crisis with anticipated budget shortfalls through June 30, 2012. Since the Prop 98 funding model guarantees that 40% of the General Fund budget be allocated to schools, state funded education will continue to absorb reductions in funding. To date, funding for community colleges in California has been reduced by over \$700 million and San Bernardino Community College District's share of this reduction is approximately \$5 million, with about half of the cuts in the general fund and half in categorical programs. Based on revenue projections by the State, which are due to be released December 15, 2011, mid-year trigger cuts are likely. The District is anticipating budget cuts amounting to approximately \$1 million in funding. In addition to the expected funding reduction, the District is preparing for the deferral of monthly apportionment payments in 2011 through 2012.

The economic downturn that we are currently experiencing has increased the demand for our courses and services at our colleges. The District has continued to increase enrollment and served over 2,000 additional full-time equivalent students in 2009-2010 above our level of funding by the state. Another factor impacting our level of service is the workload reduction that has been imposed by the state. This current method of cutting general funding from colleges is likely to be permanent.

The District has already taken several steps to get through this fiscal year and survive current and future cuts. Budget reductions will be offset by a series of savings measures including salary savings from vacant positions due to the supplemental early retirement incentive and selective filling of vacant positions. Additional one-time savings will come from prior year unspent funds and will be used in part to support the cost of full-time permanent employees in the categorical programs. Temporary borrowing options are currently under exploration to cover any cash flow needs due to the possible implementation of state cash deferrals.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact the Vice Chancellor, Business Services, at San Bernardino Community College District, 114 South Del Rosa Drive, San Bernardino, California 92408.

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## **FINANCIAL SECTION**

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**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

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	<u>2011</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 190,028,034
Investments	143,191,642
Accounts receivable	25,971,930
Prepaid expenses	135,527
Stores inventories	755,920
<b>Total Current Assets</b>	<u>360,083,053</u>
<b>NONCURRENT ASSETS</b>	
Nondepreciable capital assets	53,906,937
Depreciable assets, net of accumulated depreciation	283,053,587
<b>Total Noncurrent Assets</b>	<u>336,960,524</u>
<b>TOTAL ASSETS</b>	<u>697,043,577</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	20,905,064
Deferred revenue	3,154,976
Bonds payable - current portion	3,424,085
SERP payable - current portion	1,648,637
<b>Total Current Liabilities</b>	<u>29,132,762</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds payable - noncurrent portion	439,226,517
Premium on bonds - noncurrent portion	17,393,546
Other long-term obligations - noncurrent portion	6,490,135
<b>Total Noncurrent Liabilities</b>	<u>463,110,198</u>
<b>TOTAL LIABILITIES</b>	<u>492,242,960</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	161,018,605
Restricted for:	
Debt service	26,292,081
Capital projects	14,689,481
Unrestricted	2,800,450
<b>TOTAL NET ASSETS</b>	<u>\$ 204,800,617</u>

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2011**

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	<b>2011</b>
<b>OPERATING REVENUES</b>	
Student Tuition and Fees	\$ 13,329,394
Less: Scholarship discount & allowance	(6,225,897)
Net tuition & fees	7,103,497
Grants and Contracts, noncapital:	
Federal	27,870,094
State	3,030,155
Local	2,218,039
Internal Service Sales and Charges	4,806,045
Subtotal	37,924,333
<b>TOTAL OPERATING REVENUES</b>	<b>45,027,830</b>
 <b>OPERATING EXPENSES</b>	
Salaries	54,791,836
Benefits	14,712,950
Financial aid	23,356,593
Supplies, materials, & other expenses	21,666,458
Utilities	3,256,837
Depreciation	10,849,678
<b>TOTAL OPERATING EXPENSES</b>	<b>128,634,352</b>
 <b>OPERATING LOSS</b>	<b>(83,606,522)</b>
 <b>NONOPERATING REVENUES/(EXPENSES)</b>	
State apportionments, non-capital	60,341,932
Local property taxes	36,693,296
State taxes & other revenues	3,037,081
Investment income - Non-capital	2,241,628
Other non-operating revenues	2,407,173
Interest expense	(24,616,768)
<b>TOTAL NONOPERATING REVENUES</b>	<b>80,104,342</b>
 <b>LOSS BEFORE OTHER REVENUES AND GAINS</b>	<b>(3,502,180)</b>
 <b>OTHER REVENUES AND GAINS</b>	
State apportionments, capital	16,803,820
Gain on disposal of equipment	12,294
<b>TOTAL OTHER REVENUES AND GAINS</b>	<b>16,816,114</b>
 <b>INCREASE IN NET ASSETS</b>	<b>13,313,934</b>
 <b>NET ASSETS, BEGINNING OF YEAR</b>	<b>192,862,681</b>
 <b>ADJUSTMENT FOR RESTATEMENT (see Note 12)</b>	<b>(1,375,998)</b>
 <b>NET ASSETS, AS RESTATED</b>	<b>191,486,683</b>
 <b>NET ASSETS, END OF YEAR</b>	<b>\$ 204,800,617</b>

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2011**

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	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 6,225,897
Grants and contracts	16,493,348
Payments to or on behalf of employees	(64,799,162)
Payments to vendors for supplies and services	(19,470,110)
Payments to students for scholarships and grants	(23,842,593)
Internal service sales and charges	4,432,011
Net Cash Used in Operating Activities	<u>(80,960,609)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State apportionments	56,208,239
Property taxes	37,810,512
Grants and gifts noncapital	2,346,732
Net Cash Provided by Non-capital Financing Activities	<u>96,365,483</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(47,661,747)
State apportionments, capital projects	28,473,511
Principal paid on capital debt	(2,900,000)
Interest paid on capital debt	(19,061,170)
Interest received on capital debt	1,471,734
Net Cash Used by Capital Financing Activities	<u>(39,677,672)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income	3,191,642
Purchase of fixed income securities	(84,140,000)
Net Cash Provided/(Used) by Investing Activities	<u>(80,948,358)</u>
<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	(105,221,156)
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>295,249,190</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 190,028,034</u>

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Cash Flows, Continued**  
**For the Fiscal Year Ended June 30, 2011**

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	<u>2011</u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (83,606,522)
Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities:	
Depreciation expense	10,849,678
Changes in Assets and Liabilities:	
Receivables, net	(15,317,874)
Inventories	156,518
Prepaid items	(6,576)
Accounts payable and accrued liabilities	8,571,753
Deferred revenue	(777,855)
Compensated absences	(202,981)
Supplemental early retirement plan liability	(1,308,776)
Other post-employment benefits liability	257,617
Funds held for others	424,409
Total Adjustments	<u>2,645,913</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (80,960,609)</u></u>
 <b>CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING</b>	
Cash in banks	\$ 4,259,046
Cash in county treasury	185,768,988
Investments	143,191,642
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 333,219,676</u></u>
 <b>NONCASH TRANSACTIONS</b>	
On behalf payments for benefits	<u><u>\$ 1,184,325</u></u>

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Net Assets – Fiduciary Funds**  
**June 30, 2011**

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	<u>Fiduciary Funds Agency</u>	<u>Fiduciary Funds Trust</u>	<u>OPEB Trust</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 424,409	\$ 1,742,318	\$ 1,583,875
Accrued income	-	-	1,725
<b>Total Assets</b>	<u>424,409</u>	<u>1,742,318</u>	<u>1,585,600</u>
<b>LIABILITIES</b>			
Due to student groups	<u>424,409</u>	-	-
<b>Total Liabilities</b>	<u>424,409</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>			
Restricted Net Assets	<u>-</u>	<u>1,742,318</u>	<u>1,585,600</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 424,409</u>	<u>\$ 1,742,318</u>	<u>\$ 1,585,600</u>

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Changes in Net Assets – Fiduciary Funds**  
**June 30, 2011**

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	<b>Fiduciary Funds Trust</b>	<b>OPEB Trust</b>
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Scholarship donations	\$ 132,372	\$ -
Employer contributions	-	342,000
Investment income	-	199,117
	<u>                    </u>	<u>                    </u>
<b>Total Additions</b>	<u>132,372</u>	<u>541,117</u>
 <b>Deletions</b>		
Scholarship awards	135,106	-
Administrative expense	-	20,628
	<u>                    </u>	<u>                    </u>
<b>Total Deletions</b>	<u>135,106</u>	<u>20,628</u>
 <b>INCREASE/(DECREASE) IN NET ASSETS</b>	<u>(2,734)</u>	<u>520,489</u>
 <b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,745,052</u>	<u>1,065,111</u>
 <b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,742,318</u>	<u>\$ 1,585,600</u>

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 1 – ORGANIZATION**

The San Bernardino Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District, formed in 1926, operates two co-educational two-year community colleges, San Bernardino Valley College and Crafton Hills College, and a Professional Development Center. The colleges are tax supported and governed by a locally elected Board of Trustees acting through the administration of the District and the Presidents of the respective colleges. The school districts within the boundaries of the District include Bear Valley, Fontana, Redlands, Rialto, Rim of the World, and San Bernardino City Unified School Districts, and Colton and Yucaipa-Calimesa Joint Unified School Districts. The District is located in San Bernardino County, with the exception that portions of Colton Joint Unified School District and Yucaipa-Calimesa Joint Unified School District are located in Riverside County.

**Financial Reporting Entity**

The District has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14 and Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustees' ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of the whether the District is able to exercise oversight responsibilities.

Based on the application of the criteria listed above, one potential component unit has been included in the District's reporting entity as blended component unit.

KVCR Educational Foundation, Inc. is a 501 (c)(3) nonprofit organization formed to meet the funding requirements of KVCR-TV/FM, a wholly owned broadcasting affiliate of the District. KVCR Educational Foundation, Inc. has been included as blended component unit. The Foundation also issues a stand-alone audited financial report, which can be obtained from the District or the Foundation.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 1 – ORGANIZATION (continued)**

**Financial Reporting Entity (continued)**

Based on the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

- The San Bernardino Community College District Public Entity Investment Trust
- The San Bernardino Valley College Foundation
- The Crafton Hills College Foundation

The Foundations are separate, not-for-profit corporations. Their Board of Directors are appointed independent of any District Board of Trustee appointments. Their Boards are responsible for approving their own budgets and accounting and financing related activities.

Separate financial statements for the Foundations and Investment Trust may be obtained through the District.

**Joint Powers Agencies and Public Entity Risk Pools**

The District is associated with five joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the School Alliance for Workers' Compensation Excess II Self-Funded Joint Powers Authority (SAWCZ II), the Schools Association For Excess Risk (SAFER), the California Community College Financing Authority (CCCFA), the San Bernardino Regional Emergency Training Center (SBRETC), and the Statewide Association of Community Colleges (SWACC).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37 and No. 38. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

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 and amounts are 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. For the District, available means expected to be received within 90 days of fiscal year end.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. 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 requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, now codified in the FASB Accounting Standards Codification, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. The Business type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Assets
  - Statements of Revenues, Expenses, and Changes in Net Assets
  - Statements of Cash Flows
- Notes to Financial Statements

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statements of cash flows.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

**Accounts Receivable**

Accounts receivable include amounts due from the federal, state and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

**Prepaid Expenditures**

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

**Inventory**

Inventory consists primarily of expendable supplies held for consumption. Inventories are stated at the lower of cost or market, utilizing the first-in, first-out method. The cost is recorded as an expense as the inventory is consumed.

**Capital Assets and Depreciation**

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. 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. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

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, 40 to 50 years; improvements, 20 to 25 years; equipment, 5 to 15 years.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

**Deferred Issuance Costs, Premiums, and Discounts**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participated in “load-banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. 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.

**Deferred Revenue**

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Assets**

GASB Statements No. 34 and No. 35 report equity as “Net Assets.” Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

- **Invested in Capital Assets, Net of Related Debt** – Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted – Expendable** – Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
- **Unrestricted** – Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$40,981,562 of restricted net assets.

**Operating Revenues and Expenses**

**Classification on Revenues** – The District has classified its revenues as either operating or nonoperating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.
- **Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Operating Revenues and Expenses (continued)**

**Classification of Expenses** – Nearly all the District’s expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

- **Operating expenses** – Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** – Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

**State Apportionments**

Certain current year apportionments from the state are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District’s financial records when received.

**On-Behalf Payments**

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers and the Public Employees Retirement Systems (CalSTRS and CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,184,325 and \$0 for CalSTRS and CalPERS, respectively.

**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 amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Scholarship Discounts and Allowances**

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statements of Revenues, Expenditures, and Changes in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payment on the students' behalf. To the extent that fee waivers and discount have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

**Federal Financial Assistance Programs**

The District participates in Federally funded Pell Grants, SEOG Grants, and Federal Work-Study. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the fiscal year ended June 30, 2011, the District distributed \$22,875,208 in the programs noted above through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

**Interfund Activity**

Exchange transactions between funds of the District are reported as revenues and expenses within the statements of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

**New Accounting Pronouncement**

In June 2010, the Governmental Accounting Standards Board ("GASB") issued Statement No. 59, Financial Instruments Omnibus. The objective of the statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for the District's financial statements for periods beginning after June 15, 2010. The application of the revised guidance for investments financial reporting and disclosures is not expected to have a material impact to the District's financial statements.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 3 – 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; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair market value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair market value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 3 – 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 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	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.

**Summary of Cash and Investments**

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

Cash on hand and in banks	\$ 4,209,046
Revolving cash fund	50,000
Investment in San Bernardino County Investment Pool	185,768,988
Investments	<u>143,191,642</u>
Total Cash and Investments	<u><u>\$ 333,219,676</u></u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**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.

<u>Investment or Deposit Type</u>	<u>Fair Market Value</u>	<u>Days to Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating 6/30/2011</u>
Dreyfus Tax Exempt Cash Mgmt 675, CUSIP:S99991920	\$ 125,596,642	N/A	Not Applicable	AAAm
San Bernardino County Investment Pool	185,768,988	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>\$ 328,960,630</u>			

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 3 – CASH AND INVESTMENTS (continued)**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. 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 agencies. 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, 2011, the District’s bank balance of \$4,259,046 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining was collateralized with securities held by the pledging financial institution’s trust department or agency.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable balance as of June 30, 2011 is as follows:

		<u>2011</u>
Grants and Contracts		
	Federal	\$ 1,651,602
	State	17,952,666
	Local	<u>6,367,662</u>
	Total	<u>\$ 25,971,930</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the District for the fiscal year ended June 30, 2011 was as follows:

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Capital Assets not being Depreciated				
Land	\$ 3,084,176	\$ 1,324,857	\$ -	\$ 4,409,033
Construction in progress	142,722,217	46,061,781	139,286,094	49,497,904
Total Capital Assets not Being Depreciated	<u>145,806,393</u>	<u>47,386,638</u>	<u>139,286,094</u>	<u>53,906,937</u>
Capital Assets being Depreciated				
Land improvements	25,549,239	22,431,806	-	47,981,045
Buildings & improvements	159,891,789	116,062,233	4,835,950	271,118,072
Furniture & equipment	19,445,591	1,067,164	458,013	20,054,742
Total Capital Assets Being Depreciated	<u>204,886,619</u>	<u>139,561,203</u>	<u>5,293,963</u>	<u>339,153,859</u>
Total Capital Assets	<u>350,693,012</u>	<u>186,947,841</u>	<u>144,580,057</u>	<u>393,060,796</u>
Less Accumulated Depreciation				
Land improvements	11,558,138	3,920,750	4,967,998	10,510,890
Buildings & improvements	26,765,141	5,497,182	-	32,262,323
Furniture & equipment	12,336,853	1,431,746	441,540	13,327,059
Total Accumulated Depreciation	<u>50,660,132</u>	<u>10,849,678</u>	<u>5,409,538</u>	<u>56,100,272</u>
Net Capital Assets	<u>\$ 300,032,880</u>	<u>\$ 176,098,163</u>	<u>\$ 139,170,519</u>	<u>\$ 336,960,524</u>

Depreciation expense for the year was \$10,849,678.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 6 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2011 is shown below:

	Balance July 01, 2010	Additions	Accretion	Deductions	Balance June 30, 2011	Due Within One Year
<b>Long-Term Obligations</b>						
General obligation bonds	\$ 433,049,215	\$ -	\$ 12,501,387	\$ 2,900,000	\$ 442,650,602	\$ 3,424,085
Premium on bonds	18,339,615	-	-	946,069	17,393,546	-
Capital leases	27,596	-	-	27,596	-	-
Compensated absences	2,099,148	47,007	-	249,988	1,896,167	-
SERP liability	6,454,909	-	-	1,308,776	5,146,133	1,648,637
Other postemployment benefits	838,855	257,617	-	-	1,096,472	-
Totals	\$ 460,809,338	\$ 304,624	\$ 12,501,387	\$ 5,432,429	\$ 468,182,920	\$ 5,072,722

**Bonds Payable**

On November 5, 2002, voters within the boundaries of the District authorized the issuance and sale of general obligation bonds totaling \$190,000,000 (Measure P). In May 2003, \$50,000,00 of 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 statements.

On February 5, 2008, voters within the boundaries of the District authorized the issuance and sale of general obligation bonds totaling \$500,000,000 (Measure M). On December 30, 2008, \$140,000,000 of 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.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Bonds Payable (continued)**

The outstanding bonded debt for the San Bernardino Community College District was as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	As Restated			Bonds Outstanding, June 30, 2011
				Bonds Outstanding, July 1, 2010	Accreted Interest Addition	Redeemed	
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%

The annual requirements to amortize all 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	\$ 442,650,602	\$ 946,760,744	\$ 1,389,411,346

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 6 – LONG-TERM OBLIGATIONS (continued)**

**Supplemental Early Retirement Plan**

In June 2003, San Bernardino Community College District offered a Supplemental Early Retirement Plan. This Plan allowed qualified individuals to retire at age 55. The Plan offered monetary incentives and health insurance benefits. The monetary incentives were paid in five equal yearly installments of \$487,957. The medical benefits are based on actual costs with a maximum of \$7,500 per year until the qualified individual reaches age 65.

During the year ended June 30, 2009, San Bernardino Community College District offered two Supplemental Early Retirement Plans. The Plans allowed qualified individuals to retire at age 55. The Plans offered monetary incentives and health insurance benefits. The monetary incentives will be funded through five equal yearly installments of \$606,232. The medical benefits are based on actual costs with a maximum of \$7,500 per year until the qualified individual reaches age 65.

During the year ended June 30, 2010, San Bernardino Community College District offered one Supplemental Early Retirement Plan. The Plan allowed qualified individuals to retire at age 55. The Plan offered monetary incentives and health insurance benefits. The monetary incentives will be funded through five equal yearly installments of \$758,399. The medical benefits are based on actual costs with maximum of \$7,500 per year until the qualified individual reaches age 65.

The estimated present values of the future payments are as follows:

Years Ending June 30,	Payment
2012	\$ 1,648,637
2013	1,554,446
2014	903,907
2015	828,456
2016	81,688
2017-2019	<u>128,999</u>
Total	<u>\$ 5,146,133</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 7 – POST-EMPLOYMENT BENEFITS**

The District administers a single-employer defined benefit healthcare plan, which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. The District reports the financial activity of the Plan as a trust fund, and no separate financial report is prepared. Faculty, classified, and management employees qualify at age 60 with 10 years of service. Classified employees qualify at age 55 with 20 years of service. Board members qualify for 5 years of benefits, but not before age 65, with 12 years of service. Membership of the Plan consisted of the following at August 1, 2009, the date of the latest actuarial valuation:

**Plan Description and Contribution Information**

	<u>Amount</u>
Retirees receiving benefits	54
Active plan members	<u>653</u>
Total	<u>707</u>

**Funding Policy**

The District’s annual other post-employment benefit (OPEB) cost 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 amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty 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:

Annual required contribution	\$ 998,149
Interest on net OPEB contribution	50,331
Adjustment to annual ARC	<u>(29,087)</u>
Annual OPEB cost (expense)	1,019,393
Contributions made - pay as you go	419,776
Contributions made - trust	<u>342,000</u>
Increase in net OPEB obligation	257,617
Net OPEB obligation, Beg. of Year	<u>838,855</u>
Net OPEB obligation, End of Year	<u>\$ 1,096,472</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 7 – POST-EMPLOYMENT BENEFITS (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual OPEB cost, the percentage of annual OPEB cost contribution to the Plan, and the net OPEB obligation for the year ended June 30, 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
6/30/2009	\$ 687,455	36.4%	\$ 437,208
6/30/2010	1,009,221	60.2%	838,855
6/30/2011	1,019,393	74.7%	1,096,472

**Funded Status and Funding Progress**

As of August 1, 2009, the most recent actuarial valuation date, the District had established a trust for post-employment benefits. The actuarial accrued liability for benefits was \$8,338,911. The covered payroll (annual payroll of active employees covered by the Plan) was \$42,707,577, and the ratio of the UAAL to the covered payroll was 16.79 percent. A pay-as-you-go contribution of \$419,776 was made during the year ended June 30, 2011. Additionally, a contribution of \$342,000 was made to the OPEB trust. See pages 15 and 16 for a summary of OPEB trust activity.

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 the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution 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 the 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. The August 1, 2009 actuarial valuations used the entry age normal actuarial cost method. The actuarial assumptions included a 6% investment rate of return, a projected 3% increase in salaries, and a 4% annual healthcare cost trend rate. An annual inflation rate of 3% per year was used. The UAAL is being amortized as a level percentage of projected payroll over a period of 30 years.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS**

**Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees’ System (CalPers), a cost-sharing multiple-employer public employee retirement system defined-benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Benefit provision are established by statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Regional Office, 400 “Q” Street, Room 1820, Lincoln Plaza East; Sacramento, California 95811.

**Funding Policy**

Active Plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707% of annual payroll. The contribution requirements of the Plan members are established by state statute. The District’s contributions to CalPERS for the years ended June 30, 2011, 2010, and 2009, were \$2,174,117, \$2,156,895, and \$2,017,044, respectively, and equal 100% of the required contributions for each year.

**State Teachers Retirement System (CalSTRS)**

**Plan Description**

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**State Teachers Retirement System (CalSTRS) (continued)**

**Funding Policy**

Active plan members are required to contribute 8.0% of their annual salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teacher's Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25% of annual payroll. The contribution requirements of the Plan members are established by state statute. The District's contribution to CalSTRS for the years ended June 30, 2011, 2010, and 2009, were \$2,289,824, \$2,410,252, and \$2,644,828, respectively, and equal 100% of the required contributions for each year.

**Accumulation Program for Part-Time and Limited (APPLE)**

**Plan Description**

The District contributes to the Accumulation Program for Part-Time and Limited-Service Employees Plan (APPLE). All employees who do not participate in another retirement plan provided by the District are eligible to participate in the APPLE Plan, a multi-employer defined-contribution retirement program.

The District's payroll for employees covered by APPLE for the years ended June 30, 2011, 2010, and 2009, was \$3,331,759 \$4,273,548, and \$4,006,935, respectively.

Participants become 100% vested in the Employer Contribution Account at normal retirement age, total disability, or death. Participants are 100% vested in the Employee Contribution Account at all times.

**Contribution Requirements and Contributions Made**

The District is required under the Adoption Agreement to contribute 1.3% of each participant's gross wages. Participants are required to contribute 6.2% of their gross wages.

Total contributions for the years ended June 30, 2011, 2010, and 2009, were \$247,961 \$264,960, and \$248,430, respectively. The District contributed \$41,392 and employees contributed \$206,569 for the year ended June 30, 2011.

**NOTE 9 – KVCR**

The District operates a radio and television station and receives annual grants from the Corporation for Public Broadcasting (CPB). The CPB funded programs are audited under CPB guidelines, the report of which is presented separately in full.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 10 – COMMITMENTS AND CONTIGENCIES**

The District is exposed to various risks of loss related to: torts; theft of; damage to; and destruction of assets; injuries to students, campus visitors, or employees; errors and omissions; natural disasters; medical and dental claims of District employees; and employment-related liabilities. The District has Internal Service Funds to account for and finance its uninsured risks of loss.

**Liability for Open Claims – Workers’ Compensation**

The District maintains a self-insurance plan for workers’ compensation benefits as authorized by Section 81602 of the California Education Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. The contract is renewable every three years and administrative fees are included within the provision of that agreement. Coverage for workers’ compensation claims is provided by a tiered system. The Worker’s Compensation Fund provides coverage for up to a maximum of \$500,000 per occurrence. In addition, the District participates in a Joint Powers Arrangement with the Schools Alliance for Workers’ Compensation Excess II (SAWCX II) that provides coverage for claims exceeding \$500,000 with a limit of \$25,000,000 per occurrence.

The recorded liability for the workers’ compensation benefits as of June 30, 2010, \$2,099,580, includes an estimate of incurred but no reported claims. This liability is reported in accrued liabilities as June 30, 2010, based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as the date of the financial statements and the amount of the loss can be reasonably estimated.

The District also maintains a property and liability self-insurance plan. The Plan is authorized by Section 81602 of the California Education Code. Coverage for liability and property claims is provided by a tiered system. The Self-Insurance – Liability and Property Fund provides coverage for up to a maximum of \$50,000 per occurrence for liability claims and \$5,000 per occurrence for property claims. The District purchases additional insurance from Joint Powers Arrangements for claims in excess of coverage provided by the fund. The Statewide Association for Excess Risk (SAFER) provided coverage for claims exceeding the District’s retention with a limit of \$25,000,000 per occurrence for liability and \$250,000,000 per occurrence for property. Settled claims have not exceeded this insurance in any of the past three fiscal years.

Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into considered recently settled claims, the frequency of claims, the frequency of claims, and other economic and social factors.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 10 – COMMITMENTS AND CONTIGENCIES (continued)**

**State and Federal Allowances, Awards, and Grants**

The District has received state and federal funds for specific that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the rants, management believes that any required reimbursements would not be material to the District.

**Lawsuits in the Normal Course of Business**

The District is presently involved in certain matters of litigation that have arisen in the normal course of conducting business. District management believes, based on consultation with the Districts attorneys, that these cases, in the aggregate, are not expected to result in material adverse financial impact on the District. Additionally, District management believes that the District’s insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**Construction Commitments**

The District had several outstanding or planned construction projects as of June 30, 2011. These projects are evidenced by contractual commitments with contractors; outstanding commitments as of June 30, 2011 were as follows:

	Costs as of June 30, 2011	Estimated Costs to Complete
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/Infrastruture	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
<b>TOTAL</b>	<b>\$ 49,497,904</b>	<b>\$ 92,981,183</b>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 11 – JOINT POWERS ARRANGEMENTS**

The District is a member of several joint powers authorities. The relationship between the District and the joint powers authorities is such that they are not considered component units of the District for financial reporting purposes. The following is summary of these arrangements:

**Schools Association For Excess Risk (SAFER)**

SAFER's excess property and liability insurance program was established in 2002 to meet the needs of California K-12 schools and community college districts. The program provides their members with comprehensive coverage and competitive rates. SAFER's membership consists of one individual member district and three joint competitive rates. SAFER's membership consists of one individual member district and three joint powers authority members, which represent 547 school and college districts. A board comprised of two representatives from each member with an average daily attendance (ADA) of over 100,000 or one representative for ADAs with less than 100,000 governs SAFER. Each member is allowed votes based on weighted system based Average Daily Attendance.

**Statewide Association of Community Colleges (SWACC)**

SWACC arranges for and provides the broadest possible property and liability protection available to school districts. SWACC's membership consists of 44 Community College Districts and two joint powers authority members, which represent 20 districts. A board comprised of one representative from each member governs SWACC. Each member is allowed votes based on a weighted system based on Average Daily Attendance. The board controls the operations of SWACC and elects officers from its members.

**Schools Alliance for Worker's Compensation Excess II Self Joint Powers Authority (SAWCX II)**

SAWCX II arranges for and provides services necessary for members to establish, operate, and maintain a joint program of workers' compensation protection. SAWCX II membership consists of various educational districts and joint powers authorities statewide. A board comprised of one representative from each member governs SAWCX II.

**California Community College Financing Authority (CCCFA)**

CCCFA provides short-term financing for members. A board of 16 elected voting members elected alternates and two ex-officio members governs CCCFA. Membership consists of Community College Districts throughout California. A board comprised of one representative from each member governs CCCFA.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

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**NOTE 11 – JOINT POWERS ARRANGEMENTS (continued)**

**San Bernardino Regional Emergency Training Center (SBRETC)**

SBRETC was formed to establish a live-fire aircraft, rescue, and fire-fighting training facility in Southern California. Membership consists of San Bernardino County Consolidated Fire District, City of San Bernardino, and San Bernardino Community College District. The governing board is comprised of representatives from each member agency.

**Condensed Financial Information**

	SAFER (Audited) 6/30/2010	SWACC (Audited) 6/30/2010	SAWCX II (Audited) 6/30/2009	SBRETC (Audited) 6/30/2009
Assets	\$ 147,570	\$ 46,019,292	\$ 24,767,123	\$ 585,096
Liabilities	6,200	21,417,925	19,698,147	-
Net assets	\$ 141,370	\$ 24,601,367	\$ 5,068,976	\$ 585,096
Revenues	\$ 39,269,801	\$ 9,338,400	\$ 30,836	\$ 580,179
Expenses	(39,284,942)	(12,547,315)	(2,126,846)	(338,027)
Operating income	(15,141)	(3,208,915)	(2,096,010)	242,152
Non-operating income	26,118	1,779,679	940,987	1,461
Change in net assets	\$ 10,977	\$ (1,429,236)	\$ (1,155,023)	\$ 243,613

The financial information for CCCFA is not available.

**NOTE 12 – ADJUSTMENT FOR RESTATEMENT**

An adjustment was made to reduce the net assets beginning balance by \$1,375,998 in order to remove Fiduciary Fund net assets which had been improperly included in the entity-wide financials in the prior year. In the current year, all Fiduciary Funds balances have been presented in statements immediately following the entity-wide financials.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2011**

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
8/1/2006	\$ -	\$ 5,110,498	\$ 5,110,498	0%	\$ 33,678,675	15%

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Child Development Center**  
**Combining Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

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	<u>CSPP 0443</u>	<u>CCTR 0244</u>	<u>Total CDE Contracts</u>
<b>REVENUE AND SUPPORT</b>			
Government Contracts:			
Child care programs	\$ 1,065,959	\$ 442,222	\$ 1,508,181
Child Care Food Program	107,229	26,807	134,036
Subtotal government contracts	<u>1,173,188</u>	<u>469,029</u>	<u>1,642,217</u>
Interest Income	19,577	18,290	37,867
Family fees - certified children	114,396	58,038	172,434
Total revenue and support	<u>1,307,161</u>	<u>545,357</u>	<u>1,852,518</u>
<b>EXPENSES</b>			
Salaries	880,530	236,456	1,116,986
Employee Benefits	407,660	86,562	494,222
Books and supplies	93,332	34,576	127,908
Rents and leases	-	1,955	1,955
Other operating expenses	1,375	100	1,475
Building repairs and maintenance	-	4,569	4,569
Equipment expense	-	1,342	1,342
General, administrative, and indirect	84,348	28,264	112,612
Total expenses	<u>1,467,245</u>	<u>393,824</u>	<u>1,861,069</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ (160,084)</u>	<u>\$ 151,533</u>	<u>\$ (8,551)</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Child Development Center**  
**Schedule of Expenditures by State Category**  
**For the Fiscal Year Ended June 30, 2011**

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Expenditures	CSPP 0443	CCTR 0244	Total CD Contracts
Direct payments to providers			
2000 Classified salaries	\$ 880,530	\$ 236,456	\$ 1,116,986
3000 Employee benefits	407,660	86,562	494,222
4000 Books and supplies	93,332	34,576	127,908
5000 Services and other operating expenses	1,375	6,624	7,999
Indirect costs	84,348	28,264	-
Total expenses claimed for reimbursement	1,467,245	392,482	1,747,115
Total supplemental expenses	-	1,342	-
<b>Total expenditures</b>	<b>\$ 1,467,245</b>	<b>\$ 393,824</b>	<b>\$ 1,747,115</b>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30, 2011**

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**PURPOSE OF SCHEDULES**

**A. Schedule of Funding Progress**

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

**B. Combining Statement of Activities**

This schedule is prepared in accordance with California Department of Education Audit Guide. The schedule is intended to present revenue and expenses reported according to GAAP by Child Development Contract both individually and in the aggregate.

**C. Schedule of Expenditures by State Category**

This schedule is prepared in accordance with the California Department of Education Audit Guide. The schedule is intended to present expenditures for each Child Development program by category.

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**SUPPLEMENTARY  
INFORMATION SECTION**

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**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Local Educational Agency Organizational Structure**  
**June 30, 2011**

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The San Bernardino Community College District was formed in 1926 and operates two colleges, San Bernardino Valley College and Crafton Hill College.

As of June 30, 2011, the school districts within the boundaries of the San Bernardino Community College District were as follows:

- Bear Valley Unified School District
- Colton Joint Unified School District
- Fontana Unified School District
- Redlands Unified School District
- Rialto Unified School District
- Rim of the World Unified School District
- San Bernardino City Unified School District
- Yucaipa-Calimesa Joint Unified School District

The San Bernardino Community College District is located in San Bernardino County, with the exception that portions of Colton Joint Unified School District and Yucaipa-Calimesa Joint Unified School District are located in Riverside County. No schools districts were added to the boundaries of the San Bernardino Community College District during the fiscal year ended June 30, 2011.

**GOVERNING BOARD**

Carleton W. Lockwood, Jr.	President
Dr. Donald L. Singer	Vice President
John M. Futch	Clerk
Donna Ferracone	Member
John Longville	Member
James C. Ramos	Member
Jess Vizcaino, Jr.	Member
Christopher Walsh	Student Trustee
Jaime Sanchez	Student Trustee

**DISTRICT ADMINISTRATORS**

Bruce Baron, M.S.....	Chancellor
Debra Daniels, Ed.D.....	President – San Bernardino Valley College
Gloria M. Harrison, M.A.....	President – Crafton Hills College

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department Of Education		
Student Financial Aid Cluster		
Federal Work-Study Program	84.033	\$ 310,384
Federal Supplemental Education Opportunity Grant	84.007	294,726
Federal Pell Grant Program	84.063	22,270,098
<b>Total Student Financial Aid</b>		<b>22,875,208</b>
Title V - HSI Strengthening Institutions	84.031S	534,763
Title V - College Cost Reduction & Access Act - HSI	84.031C	325,066
Title IV - Student Support Services	84.042A	293,767
<b>Total Direct Programs</b>		<b>24,028,804</b>
Passed Through California Department Of Education		
Vocational And Applied Technology Education Act		
Title IIC	84.048	590,967
Passed Through Riverside Community College		
Vocational And Applied Technology Education Act		
Region IX Community College Consortium	84.048	1,130
ARRA - Workability	84.390A	7,629
ARRA - State Fiscal Stabilization Fund	84.394	44,692
Arra - Pass Through County Of San Bernardino, California		
Workability, Recovery Act	84.390A	22,688
<b>Total Pass Through Programs</b>		<b>667,106</b>
<b>Total U.S. Department Of Education</b>		<b>24,695,910</b>
U.S. Department Of Agriculture		
Passed Through California Department Of Education		
Child Care Food Program	10.558	128,192
<b>Total U.S. Department Of Agriculture</b>		<b>128,192</b>
U.S. Department Of Labor		
High Growth Job Training	17.261	339,107
So Cal Logistics Tech Collaborative	17.275	1,346,815
<b>Total U.S. Department Of Labor</b>		<b>1,685,922</b>
U.S. Department Of Health And Human Services		
Passed Through County Of San Bernardino, California		
Temporary Assistance For Needy Families	93.558	67,902
Passed Through Yosemite Community College District		
Child Development Consortium	93.575	758
<b>Total U.S. Department Of Health And Human Services</b>		<b>68,659</b>
<b>Total Expenditures Of Federal Awards</b>		<b>26,578,684</b>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of State Financial Assistance – Grants and Programs**  
**For the Fiscal Year Ended June 30, 2011**

	PROGRAM ENTITLEMENTS		
	CURRENT YEAR	PRIOR YEAR	TOTAL
GENERAL FUND			
Grants:			
Independent Living Grant	\$ 20,627	\$ -	\$ 20,627
Career Advancement Academy	-	-	-
3 C Media - CCC	705,285	73,192	778,477
Emergency Planning/Preparedness	15,000	-	15,000
CTE BESAC	9,800	-	9,800
Instructional Equipment	-	374,944	374,944
Block Grant	-	559,149	559,149
CSUSB Bridges Stem Cell Research	24,900	-	24,900
Faculty and Staff Diversity	70,507	65,735	136,242
Matriculation	501,774	29,465	531,239
CAHSE	-	10,616	10,616
Basic Skills	367,841	411,384	779,225
Faculty and Staff Development	42,155	49,457	91,612
Extended Opportunity Program	430,404	11,891	442,295
Cooperative Agencies Resources	88,388	14,469	102,857
Disabled Student Services	779,057	43,132	822,189
Workability III Grant	144,359	-	144,359
Economic Development Consortia	20,000	-	20,000
Economic Development - RTF Woodwork	77,597	205,733	283,330
Economic Development - IDRC Job Development	14,086	34,015	48,101
Employment Training Panel	399,432	-	399,432
Career Technical Education - Nursing Equipment	-	708	708
Career Technical Education - Community Collaborative	692,446	562,938	1,255,384
Telecommunications and Technology	57,792	93,768	151,560
SFAA-BFAP Administrative Allowance	808,805	54,716	863,521
CalWORKs	515,481	-	515,481
Temporary Assistance for Needy Families	74,582	-	74,582
California Articulation Number System	633	6,136	6,769
Transfer and Articulation Grant	10,372	10,372	20,744
Child Development - Foster Parent	201,446	-	201,446
Center for Business Excellence	205,000	28,604	233,604
Center for Business Excellence - Workforce Dev	84,394	29,345	113,739
RTF - Lean Processing Training	406,760	-	406,760
EWD - California Energy Commission	181,951	-	181,951
EDD - California Clean Energy Workforce Training	785,739	-	785,739
Lottery	287,837	-	287,837
Block Grant 98	676,086	368,810	1,044,896
School to Career	-	37,387	37,387
Seismic Retrofit Project	17,262,240	-	17,262,240
Child Development - General Center Child Care	395,055	(11,570)	383,485
Program Supplies Grant	1,781	-	1,781
Child Development - State Preschool Grant	1,439,245	2,288	1,441,533
Child Development - Food Program	9,927	-	9,927
CDC Family Literacy Grant AB172	211,258	-	211,258
Infant Toddler Resource	1,026	-	1,026
Cal Grants	-	-	-
<b>Total State Programs</b>	<b>\$ 28,021,068</b>	<b>\$ 3,066,684</b>	<b>\$ 31,087,752</b>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of State Financial Assistance – Grants and Programs**  
**For the Fiscal Year Ended June 30, 2011**

PROGRAM REVENUES				PROGRAM EXPENDITURES			PROGRAM EXPENDITURES
CASH RECEIVED	ACCOUNTS RECEIVABLE	DEFERRED/PAYABLE	TOTAL	DIRECT	INDIRECT	TOTAL REVENUE	
\$ 14,393	\$ 6,224	\$ -	\$ 20,617	\$ 20,617	\$ -	\$ 20,617	\$ 20,617
-	-	29,089	(29,089)	12,116	-	12,116	12,116
506,541	-	-	579,733	580,256	-	580,256	580,256
12,872	-	-	12,872	12,872	-	12,872	12,872
9,800	-	-	9,800	9,800	-	9,800	9,800
-	-	291,252	83,692	37,416	-	37,416	37,416
-	-	550,137	9,012	9,012	-	9,012	9,012
-	-	-	-	-	-	-	-
9,718	-	63,196	12,256	12,256	-	12,256	12,256
472,309	-	-	501,774	501,774	-	501,774	501,774
(10,616)	-	-	-	-	-	-	-
(74,292)	-	181,958	155,134	155,134	-	155,134	155,134
1,196	-	42,155	8,498	8,498	-	8,498	8,498
421,692	-	-	433,583	433,583	-	433,583	433,583
75,283	-	1,350	88,402	88,408	-	88,408	88,408
735,925	-	-	779,057	779,057	-	779,057	779,057
76,208	58,003	-	134,211	124,403	9,808	134,211	134,211
8,320	-	-	8,320	8,000	320	8,320	8,320
(128,136)	-	-	77,597	74,344	3,253	77,597	77,597
(19,929)	-	-	14,086	13,233	853	14,086	14,086
(16,648)	-	-	(16,648)	(16,648)	-	(16,648)	(16,648)
(208,161)	207,453	-	-	-	-	-	-
(19,329)	-	292,466	251,142	242,330	8,812	251,142	251,142
(7,532)	-	57,792	28,443	28,443	-	28,443	28,443
565,645	-	-	620,361	620,361	-	620,361	620,361
512,961	-	-	512,961	512,961	-	512,961	512,961
-	9,189	4,343	4,846	67,902	-	67,902	67,902
(4,928)	-	633	575	575	-	575	575
6,060	-	10,372	6,061	6,061	-	6,061	6,061
99,224	101,003	-	200,227	195,640	4,587	200,227	200,227
94,396	9,554	-	132,554	128,327	4,227	132,554	132,554
17,951	24,002	21,280	50,018	48,166	1,852	50,018	50,018
364,139	-	106,321	257,818	248,149	9,669	257,818	257,818
(38,049)	68,739	-	30,690	29,535	1,155	30,690	30,690
610,823	156,794	-	767,617	710,757	56,861	767,617	767,617
-	271,524	-	271,524	302,190	-	302,190	302,190
583,557	-	676,086	276,281	276,281	-	276,281	276,281
-	-	37,387	-	-	-	-	-
13,842,145	2,961,675	-	16,803,820	16,803,820	-	16,803,820	16,803,820
307,434	74,937	-	370,801	343,381	27,420	370,801	370,801
-	-	-	-	-	-	-	-
1,158,767	291,749	2,287	1,450,517	1,362,583	87,933	1,450,516	1,450,516
7,879	1,227	-	9,106	-	9,106	9,106	9,106
90,003	99,172	-	189,175	189,175	-	189,175	189,175
1,104	-	-	1,020	1,020	-	1,020	1,020
1,184,278	-	-	1,184,278	1,184,278	-	1,184,278	1,184,278
<u>\$ 21,263,003</u>	<u>\$ 4,341,245</u>	<u>\$ 2,368,104</u>	<u>\$ 26,302,744</u>	<u>\$ 26,166,067</u>	<u>\$ 225,856</u>	<u>\$ 26,391,922</u>	<u>\$ 26,391,922</u>

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Workload Measures for State General Apportionment – Annual/Actual**  
**Attendance**  
**For the Fiscal Year Ended June 30, 2011**

CATEGORIES	Reported Data	Audit Adjustments*	Audited Data
<b>Credit Full-Time Equivalent Student (FTES)</b>			
1. Summer	708.05	-	708.05
2. Weekly census	11,899.38	-	11,899.38
3. Daily census	1,871.70	-	1,871.70
4. Actual hours of attendance	810.35	-	810.35
5. Alternative Attendance Weekly census	19.50	-	19.50
6. Alternative Attendance Daily census	1.47	-	1.47
Subtotal	15,310.45	-	15,310.45
<b>Noncredit FTES</b>			
1. Actual hours of attendance	46.22	-	46.22
Subtotal	46.22	-	46.22
Total FTES	15,356.67	-	15,356.67
<b>Basic Skills Courses</b>			
1. Credit			999.94
2. Noncredit			-
Total Basic Skills FTES			999.94

*\*No Audit Adjustments were booked, see findings #2011-1 and #2011-2*

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial**  
**Statements**  
**For the Fiscal Year Ended June 30, 2011**

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The audit resulted in adjustments to the fund balances reported on the June 30, 2011 Annual Financial and Budget Report (CCFS-311) based on governmental accounting principles. The adjustments were to recognize the current-year activity in the KVCR Educational Foundation, Inc., a component unit of the District.

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Note to the Supplementary Information**  
**June 30, 2011**

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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.

**Schedule of Expenditures of State Awards**

The accompanying schedule of expenditures of state awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance**

Full-Time Equivalent Students (FTES) 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 community college districts. This schedule provides information regarding the attendance of students throughout the District.

**Reconciliation of Annual Financial and Budget Report with Fund Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the fund financial statements.

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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**

Board of Trustees  
San Bernardino Community College District  
San Bernardino, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the San Bernardino Community College District, as of and for the year ended June 30, 2011, which collectively comprise the San Bernardino Community College District's basic financial statements 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 the 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 San Bernardino Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Board of Trustees, management, federal and state awarding agencies, and others within the organization and is not intended to be and should not be used by anyone other than specified parties.

*Christine White Accountancy Corporation*

San Diego, California

October 29, 2011



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees  
San Bernardino Community College District  
San Bernardino, California

We have audited the financial statements of San Bernardino Community College District for the year ended June 30, 2010, 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, the standards applicable to financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, and the standards for financial and compliance audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with specified requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine; the District's compliance with the following state laws, and regulations in accordance with the Contracted District Audit Manual issued by the California Community Colleges Chancellor's Office. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

In our opinion, except for findings 2011-1 through 2011-2 described in the accompanying schedule of findings and questioned costs, the San Bernardino Community College District complied, in all material respects, with the compliance requirements for state programs listed and tested above for the year ended June 30, 2011. Furthermore, nothing came to our attention as a result of the aforementioned procedures to indicate that the San Bernardino Community College District had not aforementioned procedures to indicate that the San Bernardino Community College District had not complied with the terms and conditions of state-assisted educational programs not selected for testing.

SAN DIEGO

RANCHO CUCAMONGA

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tel. 619.270.8222 • [www.cwacpa.com](http://www.cwacpa.com) • fax. 619.260.9085

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Our examination of compliance conducted for the purposes set forth above would not necessarily disclose all instances of noncompliance.

This report is intended solely for the information and use of the Board of Trustees, management federal and state awarding agencies, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Christine White Accountancy Corporation*

San Diego, California

October 29, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
San Bernardino Community College District  
San Bernardino, California

**Compliance**

We have audited San Bernardino Community College District's 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 Community College District's major federal programs for the year ended June 30, 2011. San Bernardino Community College District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Bernardino Community College District's management. Our responsibility is to express an opinion on San Bernardino Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Bernardino Community College District's compliance with those requirements.

In our opinion, San Bernardino Community College District complied, in all material respects, with the compliance referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2011.

## Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Trustees, District Management, others within the entity, the California Community Colleges Chancellor's Office, and the District's federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Christle White Accountancy Corporation*

San Diego, California  
October 29, 2011

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**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

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**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Summary of Auditors' Results**  
**For the Fiscal Year Ended June 30, 2011**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>No</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.063, 84.033, 84.007</u>	<u>Student Financial Aid Cluster</u>
<u>17.275</u>	<u>SoCal Logistics Tech Collaborative</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 797,361</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Qualified</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2011**

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**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

*There were no financial statement findings or questioned costs were noted during 2010-11.*

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2011**

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**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no audit findings and questioned costs related to Federal awards during 2010-11.*

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2011**

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**Section III – State Award Findings and Questioned Costs**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

**Finding: 2011-1 – Students Actively Enrolled (Section 426)**

**State Criteria:**

Each district shall claim for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date (if census procedures are used to record attendance on the course section).

- *CCR, Title 5, Sections 58003.1, 58004, 58005, and 58051*
- *Student Attendance Accounting Manual (SAAM), California Community Colleges*

**Identified Condition:**

During testwork performed to ensure the accuracy of the FTES per the 320 Report, we reviewed documentation supporting FTES claimed for 60 class sections. We noted that 4 students listed as either no-shows or inactives were dropped by the certificated faculty on the date of census, rather than the day immediately preceding the census date. The inclusion of these inactive students on the 320 report appears to have overstated FTES. We noted that the FTES impact of this finding was included in finding 2011-1, as such we will not include the FTES in the questioned cost of this finding.

**Questioned Costs:**

\$828.06 (.1814 FTES x \$4,564.83)

**Recommendation:**

We recommend the District strengthen its control process to help ensure that the number of FTES per the 320 report is accurate and complete. The District should also strengthen controls to ensure that inactive students were properly excluded from the final census count.

**District Response:**

The District will refine existing internal controls to ensure that students who should be dropped prior to the census date will not be included in the calculation of the 320 reporting function.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Audit Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2011**

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**Section III – State Award Findings and Questioned Costs (continued)**

**Finding: 2011-2 – State General Apportionment Funding (Section 424)**

**State Criteria:**

For daily and weekly census procedure courses the District is required to base the computation of attendance for full-time equivalent students (FTES) on the “class hour” (also referred to as contact hours).

A “class hour” is a period of not less than 50 minutes of scheduled instruction and/or examination. Multiple hour classes may count each fractions part of a class hour beyond the last full close hour for apportionment, starting from and including the 51<sup>st</sup> minute of the last full clock hour.

- *CCR, Title 5, Section 58003.1*
- *Student Attendance Accounting Manual (SAAM), California Community Colleges*

**Identified Condition:**

It was noted in our testing of 20 daily and weekly courses that 12 courses used the incorrect contact hour in the calculation of FTES. In 12 of 20 courses sampled the net impact to FTES was an understatement of 3.84.

**Questioned Costs:**

\$17,528.95 (3.84 FTES x \$4,564.83).

**Recommendation:**

We recommend that the District perform an in depth analysis of the impact on FTES from the correction in the contact hours and develop a control to ensure that future discrepancies do not occur.

**District Response:**

The District will review all calculations relating to the contact hours for purposes of the apportionment calculation to ensure we are maximizing all allowable claims as they relate to FTES.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2011**

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding; 2010-1 Students Accounts Receivable</i>	<p><b>Condition and Criteria:</b> The District administrative regulation 5035AR states that specified college services, including registration for classes in a subsequent semester, access to student records, issuance of a diploma or certificate, transcripts requests and enrollment verification, and other services normally afforded to students in good standing, shall be withheld from the students whose liabilities and obligations are not cleared in a timely manner. In addition, the District enforces that students that do not pay enrollment fees within a given time period will be dropped for nonpayment. During the audit, we noted various cases where students enrolled due to prior nonpayment. The following circumstances were noted:</p> <ul style="list-style-type: none"> <li>• In one instances, a student with account balances was not dropped for nonpayment of fees.</li> <li>• In one instances, the account hold was only effective for the first semester and the student was allowed to enroll in the subsequent semester with an existing account balance.</li> </ul> <p><b>Effect:</b> Students are enrolling in courses and not paying enrollment fees and tuition costs.</p> <p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>• Procedures are not being followed to drop students for nonpayment of fees greater than one semester past due.</li> </ul>	<ul style="list-style-type: none"> <li>• Policies with regards to enrollment and unpaid fees be reviewed and procedures to drop students for nonpayment be implemented. We noted that this policy is included in the campus schedule of classes.</li> <li>• We recommend that the District review their computer controls for loopholes that allow students to enroll in courses when prior debts have not been paid.</li> </ul>	<p>Implemented</p>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2011**

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding; 2010-2 California Work Opportunities and Responsibilities to Kids (CalWORKs)</i>	<p><b>Condition and Criteria:</b> The District is required to report students served for apportionment. Students served at Crafton Hills College for Summer 2009 were not entered into the District's record system and were not claimed for apportionment.</p> <p><b>Effect:</b> The District underreported students served and apportionment may be affected.</p> <p><b>Cause:</b> The students were not entered into the system and therefore not claimed for apportionment.</p>	<p>We recommend that the District exercise oversight to determine of CalWORKS is being reported properly.</p>	<p>Implemented</p>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2011**

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
<p><i>Finding; 2010-3 Child Development Program, Contract CSPP- 9421</i></p>	<p><b>Condition and Criteria:</b> The California Department of Education, Child Development Fiscal Services Division requires that Attendance and Fiscal Reports for Child Development Programs be filed quarterly. During our audit, we noted that there was a lack of supporting documentation for quarterly reports.</p> <p><b>Effect:</b> We were unable to substantiate days of enrollment for the first quarter.</p> <p><b>Cause:</b> The District does not have effective controls in place in regards to document retention. The attendance data for the first quarter could not be located. The binder containing all of the supporting documents is missing.</p> <p><b>Population and Items Tested:</b> Requested supporting documentation for each of the quarterly reports. Information for the first quarter could not be located; therefore we were only able to test the period from October 1, 2009 through June 30, 2010. During our testing of the second quarter we noted errors on the spreadsheets used to summarize the enrollment data that resulted in an understatement of 866 days of enrollment. The second quarter error was corrected by filing a corrected fourth quarter report.</p>	<p>We recommend that all supporting documentation be kept in a secured area that is accessible only to authorize personnel.</p>	<p>Implemented</p>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2011**

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
<p><i>Finding; 2010-4 Residency Determination for Credits</i></p>	<p><b>Condition and Criteria:</b> The California Code of Regulations, Title V, Sections 54000-54072 require each district to implement controls that ensure that state apportionment for credit courses is only claimed for student attendance by statute and regulation. Student residence as of the residence determination date and, therefore, must be charged nonresident fees and whose attendance is not allowed to be claimed for state apportionment. The residence determination date is that day immediately preceding the opening day of instruction of the quarter, semester, or other secession as set by the District governing board, during which the student proposes to attend a college. Each district must act to ensure that only the attendance of California residents is claimed for State support of credit courses. In our testing, we noted that attendance was being claimed for students who were not residents of California.</p> <p><b>Effect:</b> The District overstated its FTES.</p> <p><b>Cause:</b> The District’s controls that are in place to ensure that apportionment for non-California residents is not claimed have failed. Students who were not residents of California were improperly claimed for state apportionment.</p> <p><b>Population and Items Tested:</b> Tested a sample 29 of the students coded as nonresidents two of which were claimed inappropriately on the 320 report.</p>	<p>We recommend that data collection for 320 reporting be reviewed and revised so that student residency status is collected properly and attendance is reported correctly.</p>	<p>Implemented</p>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Fiscal Year Ended June 30, 2011**

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Recommendation</b>	<b>Current Status</b>
<p><i>Finding:2010-5 State General Apportionment</i></p>	<p><b>Condition and Criteria:</b> The California Code of Regulations, Title 5 require that each district governing board must adopt procedures to document all course enrollment, attendance, and disenrollment, to support timely, accurate, and complete information in the calculation of State General Apportionment. One original positive attendance instructor enrollment sheet could not be located.</p> <p>Similar instances were identified in the prior year and reported as finding 09-4.</p> <p><b>Effect:</b> The District is not in compliance with State Regulations to maintain supporting documentation.</p> <p><b>Cause:</b> The District’s process of collecting instructor rosters does not include verification that all rosters once they had been collected.</p> <p><b>Population and Items Tested:</b> We recommend that the District implement controls to detect noncompliance and strengthen controls for record retention.</p>	<p>We recommend that the District implement controls to detect noncompliance and strengthen controls for record retention.</p>	<p>Implemented</p>