

**PROPOSITION 39 BOND BUILDING FUND  
SAN BERNARDINO COMMUNITY  
COLLEGE DISTRICT**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**PROPOSITION 39 BOND BUILDING FUND  
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Table of Contents  
June 30, 2013**

---

**FINANCIAL SECTION**

Introduction and Citizens' Oversight Committee Member Listing .....	1
Independent Auditors' Report.....	3
Balance Sheet.....	6
Statement of Revenues, Expenditures and Changes in Fund Balance .....	7
Notes to Financial Statements .....	8

**SUPPLEMENTARY INFORMATION**

Schedule of Expenditures by Project for Measure P .....	16
Schedule of Expenditures by Project for Measure M.....	17

**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	18
Independent Auditors' Report on Performance.....	20

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

Schedule of Findings and Recommendations.....	24
Summary Schedule of Prior Year Audit Findings.....	25

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Introduction and Citizens' Oversight Committee Member Listing**  
**June 30, 2013**

---

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

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

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

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

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

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

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Introduction and Citizens' Oversight Committee Member Listing, continued**  
**June 30, 2013**

---

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

The Citizens' Oversight Committee had the following members as of June 30, 2013, all of whom were appointed by the District's Board of Trustees with two year terms of office:

<b>Name</b>	<b>Title</b>	<b>Representation</b>
Ken Coate	Chairperson	Active in a Business Organization
Judi Battey	Vice Chairperson	Active in the Support and Organization of the Community College District
Bob Erikson	Member	Active in a Senior Citizens' Organization
Valerie Lichtman	Member	Active in a Bona Fide Taxpayers' Organization
Patrick Kirk Dorsey	Member	Student who is Currently Enrolled in the District and Active in a Community College Group
Robert Shields	Member	Student who is Currently Enrolled in the District and Active in a Community College Group
Richard Greenhagen	Member	Community -at- Large

## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

### Corporate Office:

2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition 39 Bond Building Fund of San Bernardino Community College District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Proposition 39 Bond Building Fund's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Proposition 39 Bond Building Fund of San Bernardino Community College District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Proposition 39 Bond Building Fund's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of the Proposition 39 Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Proposition 39 Bond Building Fund's internal control over financial reporting and compliance.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated December 5, 2013 on our consideration of the Proposition 39 Bond Building Fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Proposition 39 Bond Building Fund for the Year Ended June 30, 2013 and should be considered in assessing the results of our financial audit.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California  
December 5, 2013

---

---

## FINANCIAL SECTION

---

---



**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Balance Sheet**  
**June 30, 2013**

---

	MEASURE P	MEASURE M	TOTAL
<b>ASSETS</b>			
Cash in county treasury	\$ 4,530,357	\$ 53,609,678	\$ 58,140,035
Investments	-	143,336,719	143,336,719
Accounts receivable	3,849	42,504	46,353
<b>Total Assets</b>	<b>\$ 4,534,206</b>	<b>\$ 196,988,901</b>	<b>\$ 201,523,107</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 6,833	\$ 6,071,986	\$ 6,078,819
<b>Total Liabilities</b>	<b>6,833</b>	<b>6,071,986</b>	<b>6,078,819</b>
<b>FUND BALANCE</b>			
Restricted for capital projects	4,527,373	190,916,915	195,444,288
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,534,206</b>	<b>\$ 196,988,901</b>	<b>\$ 201,523,107</b>

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

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Year Ended June 30, 2013**

---

	MEASURE P	MEASURE M	TOTAL
<b>REVENUES</b>			
Interest income	\$ 38,049	\$ 287,660	\$ 325,709
Other local revenue	-	213,795	213,795
<b>Total Revenues</b>	<b>38,049</b>	<b>501,455</b>	<b>539,504</b>
<b>EXPENDITURES</b>			
Capital outlay	7,067,196	22,658,795	29,725,991
<b>Total Expenditures</b>	<b>7,067,196</b>	<b>22,658,795</b>	<b>29,725,991</b>
<b>Net Change in Fund Balance</b>	<b>(7,029,147)</b>	<b>(22,157,340)</b>	<b>(29,186,487)</b>
<b>Fund Balance, July 1, 2012</b>	<b>11,556,520</b>	<b>213,074,255</b>	<b>224,630,775</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ 4,527,373</b>	<b>\$ 190,916,915</b>	<b>\$ 195,444,288</b>

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

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2013**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

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

**B. Accounting Policies**

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

**PROPOSITION 39 BOND BUILDING FUND  
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

---

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

**C. Basis of Accounting**

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

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means 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. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**D. Encumbrances**

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

**E. Deposits and Investments**

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

**F. Use of Estimates**

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

**PROPOSITION 39 BOND BUILDING FUND  
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements, continued  
June 30, 2013**

---

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

**G. Budgets and Budgetary Accounting**

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

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

**H. Fund Balance**

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balances of the Measure P and M Bonds are considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**NOTE 2 – CASH AND INVESTMENTS**

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2013**

---

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

**Policies and Practices (continued)**

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

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	40%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2013**

---

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

**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, 2013, consist of the following:

	MEASURE P	MEASURE M	TOTAL
Cash in county treasury, at cost	\$ 4,530,357	\$ 53,609,678	\$ 58,140,035
Investments	-	143,336,719	143,336,719
Total Cash and Investments	\$ 4,530,357	\$ 196,946,397	\$ 201,476,754

**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, 2013. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. Since all District investment holdings are governmental securities, per California Government Code there is no minimum legal rating.

Investment or Deposit Type	Fair Market Value	Days to Maturity	Minimum Legal Rating	Rating 6/30/2013
Dreyfus Tax Exempt Cash Mgmt 675, CUSIP: S99991920	\$ 143,336,719	N/A	Not Applicable	AAAm
San Bernardino County Investment Pool	58,100,116	381	Not Applicable	AA+
	<u>\$ 201,436,835</u>			

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2013**

---

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

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments within the San Bernardino County Investment Pool are rated at least A by Moody's Investors Service.

**Concentration of Credit Risk**

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

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable amounting to \$3,849 and \$42,504 for Measures P and M, respectively, as of June 30, 2013 consists of interest earned on investments.

**NOTE 4 – CONSTRUCTION COMMITMENTS**

Construction commitments as of June 30, 2013 for Measures P and M consist of the following projects:

	Costs as of June 30, 2013	Estimated Costs to Complete
SBVC Business Bldg Renovation	\$ 13,621,506	\$ 2,367,924
SBVC Sitework/ADA	3,448,941	715,200
SBVC Central Plant/Infrastructure	16,515,209	688,493
SBVC Auditorium Renovation	1,387,785	9,374,300
SBVC Cafeteria HVAC Upgrades	637,125	89,496
SBVC Gymnasium and Stadium	5,979,534	52,244,573
CHC Physical Education Complex	1,145,684	5,806,396
CHC Performing Arts Center Renovation	224,777	2,591,989
CHC Science Building	2,704,288	22,971,661
CHC LADM Renovation	467,415	13,693,066
CHC Occupational Education 1 - OE1	2,319	669,732
CHC Occupational Education 2 - OE2	2,042,670	22,120,976
CHC College Center Renovation	204,914	1,657,173
CHC Student Services A Renovation	409,359	5,925,572
CHC M & O Renovation	38,652	928,943
CHC Student Services Bldg (Crafton Ctr)	3,971,547	26,091,522
Totals	\$ 52,801,725	\$ 167,937,016



**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2013**

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

As of June 30, 2013, the principal balance outstanding on the District's Measure P and M General Obligation Bonds is indicated as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding, July 1, 2012	Accreted Interest Addition	Redeemed	Bonds Outstanding, June 30, 2013
5/1/2003	8/1/2014	2.0-5.0%	\$ 50,000,000	\$ 2,075,000	\$ -	\$ 980,000	\$ 1,095,000
2/12/2004	8/1/2015	2.25-5.25%	20,000,000	1,015,000	-	290,000	725,000
3/22/2005	8/1/2023	12.0%*	56,562,550	48,989,663	583,350	2,285,000	47,288,013
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	6,060,665	464,284	-	6,524,949
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	87,882,383	6,464,646	500,926	93,846,103
6/9/2009	8/1/2044	6.375-7.63%	45,210,000	45,210,000	-	-	45,210,000
Totals				\$ 446,232,711	\$ 7,512,280	\$ 4,055,926	\$ 449,689,065

\*Effective interest rate - 5.07-5.14%

**2002 Election**

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

**2005 Refunding**

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

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Notes to Financial Statements, continued**  
**June 30, 2013**

---

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

**2008 Election**

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

The annual requirements to amortize all Measure P and M General Obligation Bonds payable outstanding as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	6,429,285	20,319,729	26,749,014
2018	7,316,190	20,169,173	27,485,363
2019-2023	43,547,676	107,466,412	151,014,088
2024-2028	81,241,015	96,693,996	177,935,011
2029-2033	139,199,039	69,642,301	208,841,340
2034-2038	35,351,488	46,541,414	81,892,902
2039-2043	50,848,174	126,061,181	176,909,355
2044-2048	31,653,455	181,768,843	213,422,298
2049	12,585,722	186,934,278	199,520,000
Subtotal	423,539,725	917,177,317	1,340,717,042
Accreted Interest	26,149,340	(26,149,340)	-
Totals	\$ 449,689,065	\$ 891,027,977	\$ 1,340,717,042

---

---

## **SUPPLEMENTARY INFORMATION**

---

---

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures by Project for Measure P**  
**For the Fiscal Year Ended June 30, 2013**

---

Approved Measure P Bond Projects	Total Project Costs Through June 30, 2012	Costs Incurred During Current Year	Total Project Costs Through June 30, 2013
SBVC - North Hall Seismic Replacement	14,869,345	7,388	14,876,733
SBVC - Chemistry/Physical Science Seismic Replacement	19,786,905	11,869	19,798,774
SBVC - North Hall Media Comm Seismic Replacement	10,765,404	(11,365)	10,754,039
SBVC - Business Building Renovation	-	6,314,467	6,314,467
CHC - Learning Resource Center	19,646,227	575,045	20,221,272
CHC - Community Recreation Facility	12,439,927	169,792	12,609,719
Totals	\$ 77,507,808	\$ 7,067,196	\$ 84,575,004

**PROPOSITION 39 BOND BUILDING FUND**  
**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**Schedule of Expenditures by Project for Measure M**  
**For the Fiscal Year Ended June 30, 2013**

Approved Measure M Bond Projects	Total Project Costs Through June 30, 2012	Costs Incurred During Current Year	Total Project Costs Through June 30, 2013
SBVC Gymnasium and Stadium	\$ 5,452,030	\$ 527,504	\$ 5,979,534
SBVC Business Building Renovation	3,229,027	4,078,012	7,307,039
SBVC Site Infrastructure/ ADA Compliance Project	1,012,415	2,436,526	3,448,941
SBVC Cafeteria	658,911	(21,786)	637,125
SBVC Central Plant/Infrastructure	8,554,512	7,960,697	16,515,209
SBVC Stadium & Field Improvements	194,636	(97,189)	97,447
SBVC Auditorium Renovation	971,179	416,606	1,387,785
CHC Science Portable Classroom	4,249,260	3,391	4,252,651
CHC Student Services Building (Crafton Center)	2,318,070	1,653,477	3,971,547
CHC Science Building	968,016	1,736,272	2,704,288
CHC Central Plant/Energy System	804,356	(103,009)	701,347
CHC Lighting/ADA Upgrades	12,156,040	49,031	12,205,071
CHC Physical Education Complex	169,479	976,205	1,145,684
CHC Performing Arts Center Renovation	27,971	196,806	224,777
CHC LADM Renovation	209	467,206	467,415
CHC Occupational Education 1	-	2,319	2,319
CHC Occupational Education 2	397,847	1,644,823	2,042,670
CHC College Center Renovation	15,110	189,803	204,913
CHC Student Services A Renovation	10,796	398,563	409,359
CHC Maintenance and Operations Renovation	209	38,443	38,652
CHC Solar Farm	3,791,667	105,095	3,896,762
Totals	\$ 44,981,740	\$ 22,658,795	\$ 67,640,535

---

---

**OTHER INDEPENDENT  
AUDITORS' REPORTS**

---

---

**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**

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO  
LOS ANGELES  
SAN FRANCISCO/BAY AREA

Corporate Office:  
2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition 39 Bond Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Proposition 39 Bond Building Fund's basic financial statements, and have issued our report thereon dated December 5, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Proposition 39 Bond Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Proposition 39 Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Proposition 39 Bond Building Fund's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Proposition 39 Bond Building Fund'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*.

### **Purpose of this Report**

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

A handwritten signature in cursive script, reading "Christy White Associates".

San Diego, California  
December 5, 2013



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

### Corporate Office:

2727 Camino Del Rio South  
Suite 219  
San Diego, CA 92108

toll-free: 877.220.7229  
tel: 619.270.8222  
fax: 619.260.9085  
www.christywhite.com

*Licensed by the California  
State Board of Accountancy*

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition 39 Bond Building Fund, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Proposition 39 Bond Building Fund's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Measure P and M General Obligation Bonds for the Year Ended June 30, 2013. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that:

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

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

<b>Internal Control Evaluation</b>
------------------------------------

**Procedures Performed:**

Inquiries were made of management regarding internal controls to:

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

We then performed substantive tests of financial statement balances to determine whether the controls designed by management were operating effectively, and to provide reasonable assurance that the fiscal year 2012-13 financial statement balances for the Proposition 39 Bond Building Fund are not materially misstated.

**Results of Procedures Performed:**

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

<b>Facilities Site Walk</b>
-----------------------------

**Procedures Performed:**

We performed a site walk to verify that Measure P and M funds expended for the fiscal year ended June 30, 2013 were for valid facilities acquisition and construction purposes. CWA toured multiple District construction sites at both campuses, where construction work had occurred: San Bernardino Valley College (business building renovation, site signage, ADA upgrades, central plant) and Crafton Hills College (solar farm).

<b>Facilities Site Walk (continued)</b>
---

**Results of Procedures Performed:**

Results of the site walks indicate that the major 2012-13 Measure P and M construction projects at San Bernardino Valley College and Crafton Hills College were successfully completed and advanced into 2013-14 expenditure/construction phases where applicable.

<b>Test of Expenditures</b>
-----------------------------

**Procedures Performed:**

The following performance tests of expenditures and transfers were performed:

We tested approximately \$1.1 million (15.6%) of the 2012-13 Measure P expenditures (9 separate payments) and approximately \$4.7 million (20.7%) of the 2012-13 Measure M expenditures (34 separate payments) for validity, allowability and accuracy. Expenditures sampled in our test included payments made to contractors, consultants and other vendors.

**Results of Procedures Performed:**

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

<b>Test of Contracts and Bid Procedures</b>
---

**Procedures Performed:**

For the fiscal year ended June 30, 2013, we performed testing of three contracts to determine compliance with District policy and Public Contract Code provisions related to contracting and bidding:

**Formal Bids**

- Project: SBVC – Voluntary ADA Upgrades  
Vendor: C.S. Legacy Construction, Inc.  
Original Contract Award Amount: \$1,365,776
- Project: SBVC – Grant Ave and South Sewer Replacement  
Vendor: TryCo  
Original Contract Award Amount: \$567,780
- Project: CHC – OE2 Building Initial Package  
Vendor: The Richards Group  
Original Contract Award Amount: \$654,000

<b>Test of Contracts and Bid Procedures (continued)</b>
---

**Results of Procedures Performed:**

We found that the contracts tested were awarded in all cases to the lowest responsible bidder and appear to follow proper bidding procedures. In addition, we tested change orders and determined the change orders were executed in accordance with District internal controls. Moreover, we noted that the District has been providing the Governing Board with a listing of change orders to contracts that relate to Measure P and M projects in fiscal year 2012-13 and that no Measures P and M projects have a cumulative change order rate in excess of 10% of contract value.

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

**Opinion**

In our opinion, based on the fieldwork described above as well as the other tests that we conducted, the District complied with the compliance requirements for the Measures P and M General Obligation Bonds as listed and tested above.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on accountability requirements pursuant to the passage of Proposition 39 and the enactment of AB 1908 (Chapter 44, Statutes of 2000). Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White".

San Diego, California  
December 5, 2013

---

---

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

---

---

**PROPOSITION 39 BOND BUILDING FUND  
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended June 30, 2013**

---

*Our tests resulted in no findings and recommendations related to the financial and performance audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2013.*

**PROPOSITION 39 BOND BUILDING FUND  
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended June 30, 2013**

---

*Our tests resulted in no findings and recommendations related to the financial and performance audit of the Proposition 39 Bond Building Fund for the fiscal year ended June 30, 2012.*