

**SAN BERNARDINO COMMUNITY
COLLEGE DISTRICT**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2010

**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
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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 as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2010 on our consideration of San Bernardino Community College 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.

The management's discussion and analysis and the schedules of post-employment healthcare benefit funding progress and employer contributions are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 audit was conducted for the purpose of forming an opinion on the San Bernardino Community College District's basic financial statements. The accompanying 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 Nonprofit 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.

Eadie and Payne, LLP

December 16, 2010

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

Introduction

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, 2010. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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 certificated 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.

Selected Highlights

- During fiscal year 2009-10, total Full-Time Equivalent Students (FTES) increased 465.94 students (or 3.05%) for credit courses and increased 58.57 FTES for non-credit courses.

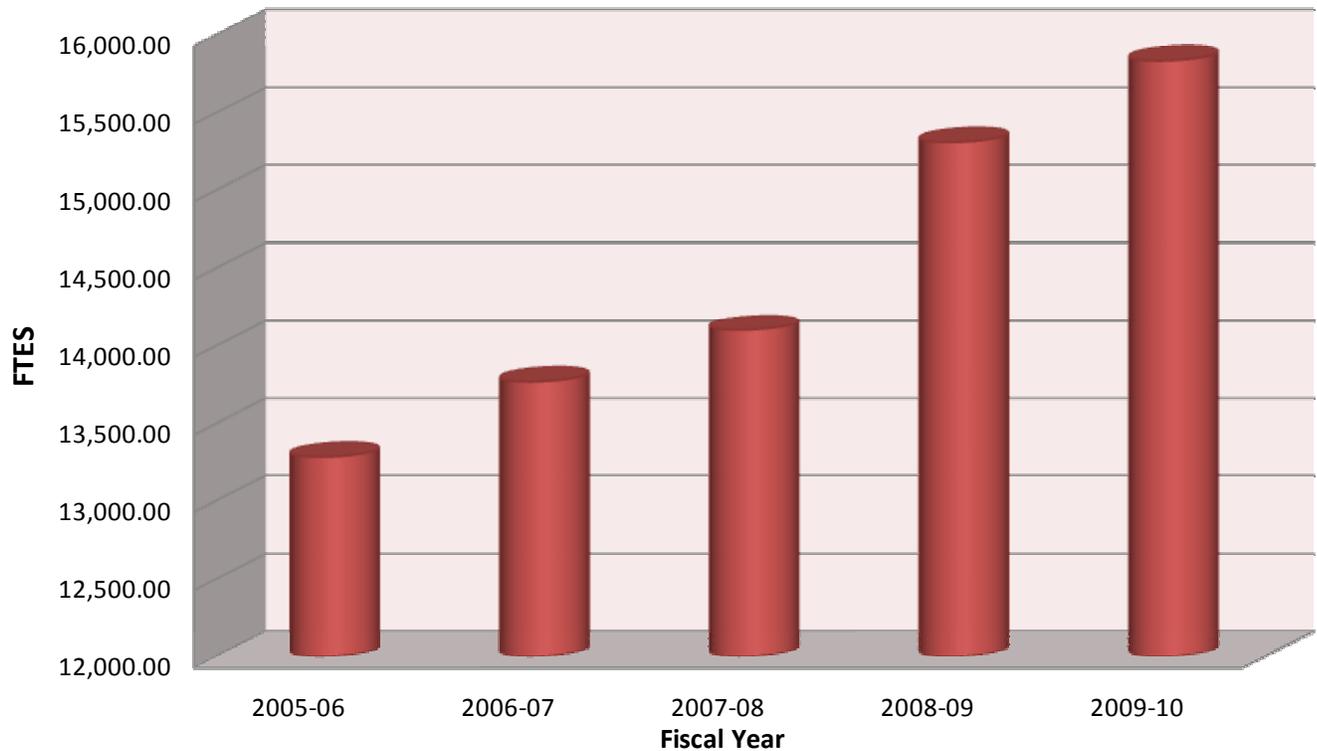
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

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



Full Time Equivalent Students	2005-06	2006-07	2007-08	2008-09	2009-10
Credit	13,276.87	13,753.86	14,092.98	15,291.46	15,757.40
Non-Credit	11.43	20.64	9.80	22.12	80.69
Totals	13,288.30	13,774.50	14,102.78	15,313.58	15,838.09
Credit % Increase (Decrease)	-5.69%	3.59%	2.47%	8.50%	3.05%
Non-Credit % Increase (Decrease)	-54.73%	80.58%	-52.52%	125.71%	264.78%
Totals	-5.78%	3.66%	2.38%	8.59%	3.43%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

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.

The Net Assets are divided into three major categories. The first category, invested in capital assets, 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 assets. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

A summary of the Statement of Net Assets as of June 30, 2010 and June 30, 2009 is shown below:

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$24,861,280	\$29,714,146	(\$4,852,866)	-16.3%
Accounts receivable, net	34,807,441	22,026,578	12,780,863	58.0%
Other current assets	1,202,839	1,243,959	(41,120)	-3.3%
Total Current Assets	<u>60,871,560</u>	<u>52,984,683</u>	<u>7,886,877</u>	<u>14.9%</u>
Noncurrent Assets				
Restricted cash and cash equivalents	326,247,910	353,596,574	(27,348,664)	-7.7%
Deferred charges	4,614,351	4,941,987	(327,636)	100.0%
Net capital assets and noncurrent assets held for sale	300,032,880	229,475,438	70,557,442	30.7%
Total Noncurrent Assets	<u>630,895,141</u>	<u>588,013,999</u>	<u>42,881,142</u>	<u>7.3%</u>
TOTAL ASSETS	<u>\$ 691,766,701</u>	<u>\$ 640,998,682</u>	<u>\$ 50,768,019</u>	<u>7.9%</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$26,716,756	\$23,972,377	2,744,379	11.4%
Current portion of long-term liabilities	5,056,195	3,754,641	1,301,554	34.7%
Other current liabilities	3,620,397	4,272,064	(651,667)	-15.3%
Total Current Liabilities	<u>35,393,348</u>	<u>31,999,082</u>	<u>3,394,266</u>	<u>10.6%</u>
Noncurrent Liabilities				
Supplemental early retirement plan liability	4,677,691	2,110,792	2,566,899	121.6%
Capital leases	-	27,596	(27,596)	-100.0%
Bonds payable	448,488,830	452,327,125	(3,838,295)	-0.8%
Other noncurrent liabilities	10,344,151	2,093,925	8,250,226	100.0%
Total Noncurrent Liabilities	<u>463,510,672</u>	<u>456,559,438</u>	<u>6,951,234</u>	<u>1.5%</u>
TOTAL LIABILITIES	<u>498,904,020</u>	<u>488,558,520</u>	<u>10,345,500</u>	<u>2.1%</u>
NET ASSETS				
Invested in capital assets, net of related debt	153,872,147	113,888,155	39,983,992	35.1%
Restricted For				
Capital projects	15,372,555	15,115,796	256,759	1.7%
Other special services	16,607,881	10,279,232	6,328,649	61.6%
Unrestricted	7,010,098	13,156,979	(6,146,881)	-46.7%
TOTAL NET ASSETS	<u>192,862,681</u>	<u>152,440,162</u>	<u>40,422,519</u>	<u>26.5%</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$691,766,701</u>	<u>\$640,998,682</u>	<u>\$50,768,019</u>	<u>7.9%</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

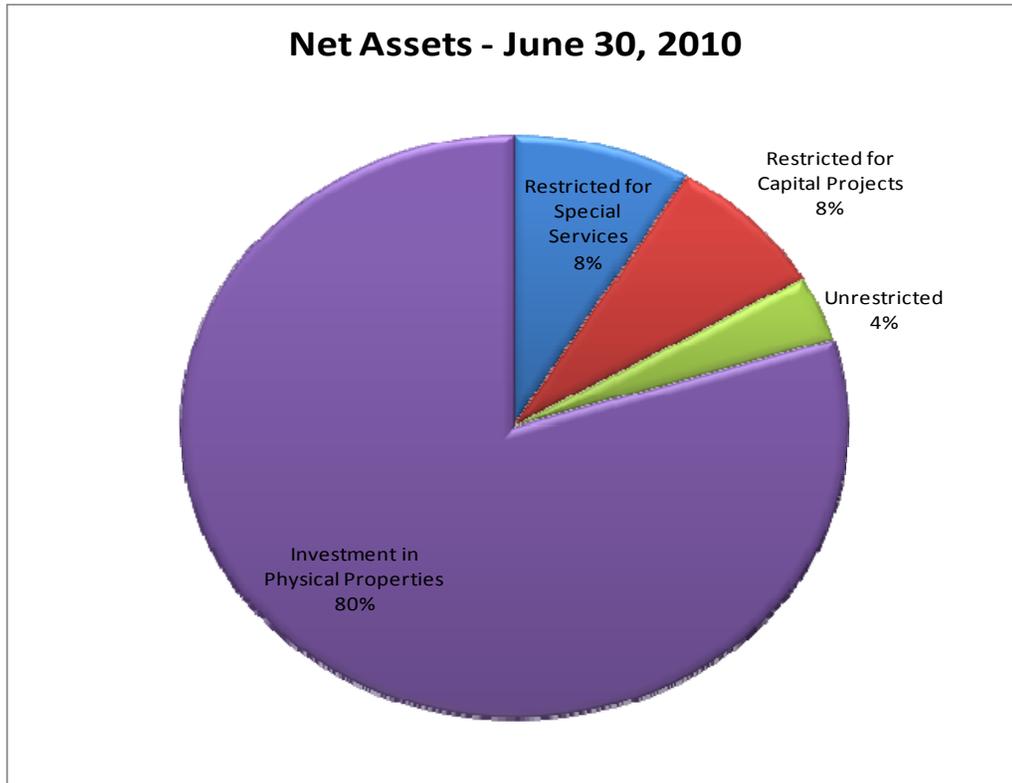
- Approximately 69% of the cash balance is cash deposited in the San Bernardino County Treasury Pool and approximately 34% is cash deposited in local financial banking institutions. All funds are invested in accordance with Board Policy which emphasizes prudence, safety, liquidity, and return on investment. The Statement of Cash Flows contained within these financial statements provides greater detail regarding the sources and uses of cash and the net increase or decrease in cash during fiscal years.
- The majority of the accounts receivable balance is from federal and state sources for apportionment, property tax, and grant and entitlement programs.
- Capital assets had a net increase of \$70.6 million. The District had additions of \$77.0 million related to the purchases of buildings and equipment and for construction in progress. Depreciation expense of \$6.4 million was recognized during 2009-10. The capital asset section of this discussion and analysis provides greater detail.
- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2010. Total accounts payable are \$26.7 million at year-end.
- The District's noncurrent liabilities primarily consist of bonds payable related to the Measure P General Obligation bonds and Measure M General Obligation and Build America bonds. For Measure P, Series D and E were issued in June 2009 thus completing this issuing for this Bond Measure. For Measure M, in December 2008, Series A was issued, followed by Series B and C being issued in June 2009. Further information on the bonds can be found in the long-term liabilities section of this report.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the financial results of the District's operations, as well as its non-operating activities. The distinction between these two activities involves the concepts of exchange and non-exchange. Operating activities are those in which a direct payment or exchange is made for the receipt of specified goods or services. As an example, tuition fees paid by the student is considered an exchange for instructional services. Likewise, grant and contract-funding received on the condition that the District will provide a specified service is also an exchange. Both of these examples are considered operating activities and therefore the associated revenues and expenses are classified as such. The receipt of state apportionments and property taxes, however, do not include this exchange relationship between the payment and receipt of specified goods or services. These revenues and related expense are classified as non-operating activities. It is because of the methodology used to categorize between operating and non-operating combined with the fact that the primary source of funding that supports the District's instructional activities comes from state apportionment and local property taxes that the results of the District's operations will result in a net operating loss.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2010 and June 30, 2009 is summarized below:

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
OPERATING REVENUES				
Tuition and fees (net)	\$ 6,574,484	\$ 6,208,381	\$ 366,103	5.9%
Grants and contracts, noncapital	29,784,425	22,966,656	6,817,769	29.7%
Auxiliary enterprises sales	5,292,422	5,841,007	(548,585)	-9.4%
TOTAL OPERATING REVENUES	<u>41,651,331</u>	<u>35,016,044</u>	<u>6,635,287</u>	<u>18.9%</u>
TOTAL OPERATING EXPENSES	<u>129,231,823</u>	<u>117,719,876</u>	<u>11,511,947</u>	<u>9.8%</u>
OPERATING LOSS	<u>(87,580,492)</u>	<u>(82,703,832)</u>	<u>(4,876,660)</u>	<u>5.9%</u>
NONOPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	57,753,094	64,912,375	(7,159,281)	-11.0%
Local property taxes	31,776,255	35,958,949	(4,182,694)	-11.6%
State revenue - other	2,497,598	2,081,977	415,621	20.0%
Interest and investment income	6,468,836	1,345,086	5,123,750	380.9%
Other nonoperating revenue	9,318,262	3,052,027	6,266,235	205.3%
Interest expense	(19,712,126)	-	(19,712,126)	-100%
NET NONOPERATING REVENUES	<u>88,101,919</u>	<u>107,350,414</u>	<u>(19,248,495)</u>	<u>-17.9%</u>
OTHER REVENUES, EXPENSES, AND GAINS				
Federal grants, capital	-	65,896	(65,896)	-100.0%
State apportionments, capital	38,742,137	944,887	37,797,250	4000.2%
Local revenue, capital	1,174,440	5,968,126	(4,793,686)	-80.3%
Gain (loss) on disposal of equipment	(15,485)	135,921	(151,406)	-111.4%
TOTAL OTHER REVENUES, EXPENSES, AND GAINS	<u>39,901,092</u>	<u>7,114,830</u>	<u>32,786,262</u>	<u>460.8%</u>
INCREASE (DECREASE) IN NET ASSETS	<u>40,422,519</u>	<u>31,761,412</u>	<u>8,661,107</u>	<u>27.3%</u>
NET ASSETS, BEGINNING OF YEAR	<u>152,440,162</u>	<u>120,678,750</u>	<u>31,761,412</u>	<u>26.3%</u>
NET ASSETS, END OF YEAR	<u>\$ 192,862,681</u>	<u>\$ 152,440,162</u>	<u>\$ 40,422,519</u>	<u>26.5%</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

- The primary components of tuition and fees are the \$26 per unit enrollment fee that is charged to all students registering for classes and the additional \$188 per unit fee that is charged to all non-resident students.
- The largest component of the District's operating revenues is non-capital grants and contracts. The largest sub-component is federal grants totaling \$18.6 million for student financial aid.
- Personnel costs account for 60% of Operating expenses in fiscal year 2010 compared to 66% in 2009. The balance of operating expenses is for supplies, materials, other operating expenses, financial aid, utilities, and depreciation expense.
- The principal components of the District's non-operating revenue are: non-capital, state apportionment, local property taxes, other state funding, and interest income. With the exception of interest income, all of this revenue is received to support the District's instructional activities. The amount of state general apportionment received by the District is dependent upon the number of FTES generated and reported to the state, less amounts received from enrollment fees and local property taxes; increases in either of these latter two revenue-categories leads to a corresponding decrease in apportionment. Overall, total operating expenses increased 9.8%.
- State apportionments, capital, consists of amounts received for capital outlay, scheduled maintenance, and facility construction. Approved capital outlay projects are typically funded at 50% of the project costs by the state.
- Functional expenses are included in Note 12 of the financial statements.

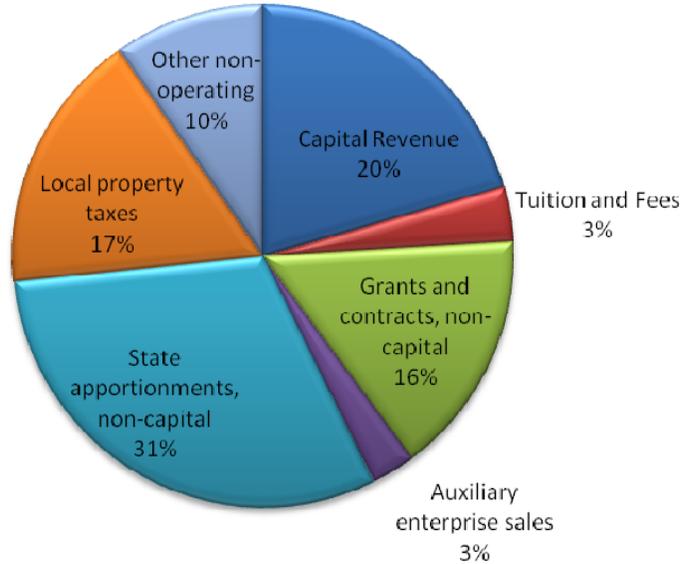
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

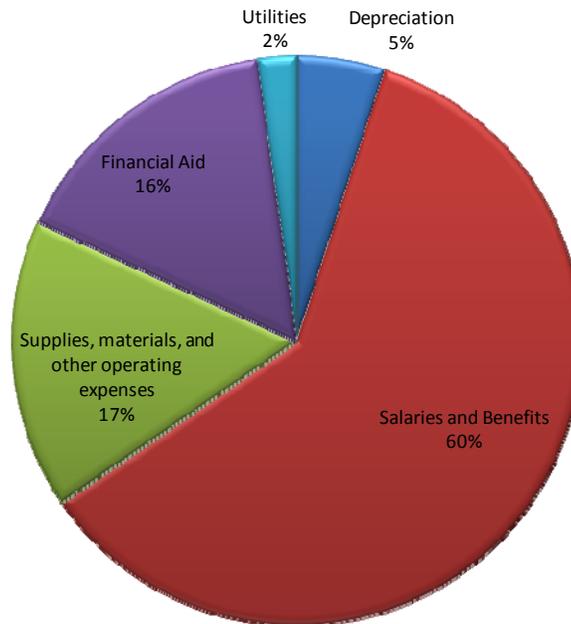
JUNE 30, 2010

(Continued)

Total Revenues - June 30, 2010



Total Expenses - June 30, 2010



SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

- Cash receipts from operating activities are from student tuition and from federal, state and local grants. Use of cash is for payments to employees, vendors, and students related to the instructional program.
- State apportionment received based on the workload measures generated by the District accounts for 66% and 58% of non-capital financing for fiscal years 2010 and 2009, respectively. Cash received from property taxes accounts for 36% in fiscal year 2010 and 36% in fiscal year 2009 of the cash generated in this section.
- The majority of the activity in the capital and related financing activities is for the issuance of bonds.
- Cash from investing activities is interest earned on cash in bank and cash invested through the San Bernardino County pool and on investments with local banking institutions. Approximately \$6.5 and \$2.1 million was received from the San Bernardino County pool for fiscal years 2010 and 2009, respectively.

Other Post Benefit Obligations

In 2004, Governmental Accounting Standards Board (GASB) issued Accounting Standards Nos. 43 and 45 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees. In an effort to become compliant with GASB standards, the District has created a District plan and an irrevocable trust that will be used as the vehicle to fund, accumulate, invest, and distribute funds held solely for retiree health benefits. The District had an actuarial study performed in 2006 and in 2009 to identify the cost and amount needed to fund on an annual basis retiree health benefits. This study determined the District's Unfunded Actuarial Accrued Liability to be \$7.0 million. To date, the District has placed \$1.1 million in the irrevocable trust.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

(Continued)

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 an expectation of a budget deficit through June 30, 2011 of over \$6 billion. 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 projections, the District is anticipating potential mid-year state budget cuts amounting to between \$2-3 million in funding. In addition to the expected funding reduction, the District is preparing for the deferral of monthly apportionment payments in 2011. In addition, there is a great deal of talk about further budget reductions for next year if tax collections do not keep up with state projections. To date, there is evidence that the collections are below projections.

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 SERP 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.

BASIC FINANCIAL STATEMENTS

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS
 JUNE 30, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 24,861,280
Accounts receivable, net	34,807,441
Investments	200,000
Inventories	912,438
Prepaid expenses	90,401

Total Current Assets

60,871,560

Noncurrent Assets

Restricted cash and investments	326,247,910
Capital Assets	
Land	3,084,176
Depreciable assets, net of accumulated depreciation	154,226,487
Construction in progress	142,722,217
Deferred charges	4,614,351

Total Noncurrent Assets

630,895,141

TOTAL ASSETS

\$ 691,766,701

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 26,716,756
Deferred revenue	3,620,397
Current portion of long-term liabilities	5,056,195

Total Current Liabilities

35,393,348

Noncurrent Liabilities

Supplemental early retirement plan liability	4,677,691
Other post-employment benefits liability	838,855
Compensated absences	1,747,767
Accrued interest	7,757,529
Bonds payable	448,488,830

Total Noncurrent Liabilities

463,510,672

LIABILITIES

498,904,020

NET ASSETS

Invested in capital assets, net of related debt	153,872,147
Restricted For	
Capital projects	15,372,555
Other special services	16,607,881
Unrestricted	7,010,098

TOTAL NET ASSETS

192,862,681

TOTAL LIABILITIES AND NET ASSETS

\$ 691,766,701

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

OPERATING REVENUES

Tuition and fees (gross)	\$ 12,362,774
Less: Scholarship discounts and allowances	<u>5,788,290</u>
Net tuition and fees	6,574,484
Grants and Contracts, Noncapital	
Federal	22,838,674
State	4,065,560
Local	2,880,191
Auxiliary enterprises sales	<u>5,292,422</u>

TOTAL OPERATING REVENUES

41,651,331

OPERATING EXPENSES

Salaries	57,191,538
Employee benefits	20,888,939
Supplies, materials, and other operating expenses and services	21,262,679
Financial aid	20,550,362
Utilities	2,858,785
Depreciation	<u>6,479,520</u>

TOTAL OPERATING EXPENSES

129,231,823

OPERATING INCOME (LOSS)

(87,580,492)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	57,753,094
Local property taxes	31,776,255
State revenue - other	2,497,598
Interest and investment income	6,468,836
Other nonoperating revenue	9,318,262
Interest expense	<u>(19,712,126)</u>

NET NONOPERATING REVENUES

88,101,919

**INCOME BEFORE OTHER REVENUES,
EXPENSES, GAINS, AND LOSSES**

521,427

OTHER REVENUES, EXPENSES, GAINS, AND LOSSES

State apportionments, capital	38,742,137
Local revenue, capital	1,174,440
Loss on disposal of equipment	<u>(15,485)</u>

TOTAL OTHER REVENUES, EXPENSES, GAINS, AND LOSSES

39,901,092

INCREASE IN NET ASSETS

40,422,519

NET ASSETS, BEGINNING OF YEAR

152,440,162

NET ASSETS, END OF YEAR

\$ 192,862,681

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 6,699,499
Federal grants and contracts	21,820,228
State grants and contracts	3,091,146
Local grants and contracts	3,210,112
Sales	5,221,711
Payments to suppliers	(23,108,978)
Payments to/on behalf of employees	(74,437,242)
Payments to/on behalf of students	(20,550,362)

Net Cash Provided By (Used In) Operating Activities (78,053,886)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	55,640,432
Property taxes	32,213,316
Grants and gifts for other than capital purposes	7,117,384

Net Cash Provided By Noncapital Financing Activities 94,971,132

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on capital debt	(18,775,932)
Principal payments on long-term debt	(2,649,437)
Federal grants for capital purposes	258,754
State apportionment for capital purposes	27,691,534
Local revenue for capital purposes	6,551,645
Purchase and construction of capital assets	(68,775,039)

Net Cash Provided By (Used In) Capital and Related Financing Activities (55,698,475)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed-income securities	(140,000,000)
Sale or redemption of fixed-income securities	84,140,000
Maturities of certificates of deposit	175,000
Interest on investments	6,404,699

Net Cash Provided By (Used In) Investing Activities (49,280,301)

NET DECREASE IN CASH AND CASH EQUIVALENTS (88,061,530)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 383,310,720

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 295,249,190

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

STATEMENT OF CASH FLOWS (Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income (loss)	\$ (87,580,492)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Depreciation expense	6,479,520
Changes in Assets and Liabilities	
Receivables, net	(1,176,964)
Inventories	(95,633)
Prepaid expenses	(38,247)
Accounts payable and accrued liabilities	677,647
Deferred revenue	(402,708)
Compensated absences	88,616
Supplemental early retirement plan liability	3,592,728
Other post-employment benefits liability	401,647
Net Cash Provided By (Used In) Operating Activities	<u>\$ (78,053,886)</u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
STATEMENT OF OTHER POST-EMPLOYMENT BENEFIT PLAN NET ASSETS
JUNE 30, 2010

ASSETS

Investments	\$ 1,065,417
Accrued income	<u>811</u>

TOTAL ASSETS

1,066,228

LIABILITIES

Accounts payable and accrued liabilities	<u>1,117</u>
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NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS

\$ 1,065,111

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT PLAN
NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

ADDITIONS

Employer contributions	<u>\$ 342,000</u>
Investment Income (Loss)	
Net appreciation in fair value of assets	54,011
Interest and dividends	<u>29,140</u>
	<u>83,151</u>

TOTAL ADDITIONS

425,151

DEDUCTIONS

Administrative expense	<u>10,635</u>
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TOTAL DEDUCTIONS

10,635

CHANGE IN NET ASSETS

414,516

NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS

Beginning of the year	<u>650,595</u>
End of the year	<u><u>\$ 1,065,111</u></u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. **ORGANIZATION AND NATURE OF ACTIVITIES**

Reporting Entity

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.

While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The District is classified as a State instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from federal income taxes.

Based on the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. In evaluating the District as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the District may be financially accountable. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

NOTES TO FINANCIAL STATEMENTS (Continued)

1. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Reporting Entity (Continued)

Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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 a blended component unit. The Foundation also issues a stand-alone audited financial report, which can be obtained from the District or the Foundation.

The San Bernardino Community College District Public Entity Investment Trust (Trust) is a potential component unit and has been discretely presented. The Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits. The Trust Board of Authority, comprised of the Vice Chancellor, Fiscal Services; Vice Chancellor, Human Resources; Business Manager; Director, Fiscal Services; and Director, Internal Audits, provide oversight over Trust investments and plan administration. As such, the District acts as the fiduciary of the Trust.

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 Valley College Foundation
- The Crafton Hills College Foundation
- Schools Alliance for Workers' Compensation Excess II Self-Funded Joint Powers Authority (SAWCX II)
- Schools Association For Excess Risk (SAFER)
- California Community College Financing Authority (CCCFA)
- San Bernardino Regional Emergency Training Center (SBRETC)
- Statewide Association of Community Colleges (SWACC)

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis for Public Colleges and Universities*, issued in June and November 1999, as amended by Statements No. 37 and 38, and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

The financial statement presentation required by GASB Statements No. 34 and 35, as amended, provides a comprehensive, entity-wide perspective of the District's financial activities.

B. Basis of Accounting

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

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's basic financial statements have been presented using the total economic resources measurement focus and the accrual basis of accounting. The District records revenues, gains, expenses, and losses when they occur regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

The District applies all Financial Accounting Standards Board (FASB) statements and interpretations issued prior to November 30, 1989, until subsequently amended, superseded, or rescinded, unless the FASB pronouncements conflict with GASB pronouncements. The District has elected not to apply FASB statements and interpretations issued after that date.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources, and all related liabilities, obligations, and equities.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

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

D. Accounts Receivable

Accounts receivable consist primarily of amounts due from the federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also include amounts due from tuition and fee charges to students and auxiliary services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based on management's estimates and analysis. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance as of June 30, 2010 was approximately \$1,000,000.

E. Investments

Investments in certificates of deposit are recorded at cost. Investments in marketable securities are carried at fair value in the statement of other post-employment benefit plan net assets. Unrealized gains and losses are included in the change in other post-employment benefit plan net assets in the accompanying statement of revenues, expenses, and changes in plan net assets.

F. Inventories

Bookstore inventories are valued at the lower of cost or market using the weighted-average-cost method. Cafeteria inventories are valued at cost using the first-in, first-out method.

G. Prepaid Expenses

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2010 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

H. Restricted Cash and Investments

Restricted cash and investments are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements. Cash that is externally restricted for obligations such as debt service payments, sinking or reserve fund, or to purchase or construct capital or other noncurrent assets, is classified as a noncurrent asset in the statement of net assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets are recorded at cost at the date of acquisition or construction. Donated capital assets are recorded at their estimated fair value at the date of donation. Assets acquired prior to July 1, 2000 are recorded at their estimated cost based on an inventory and valuation performed by a valuation consultant.

The District's capitalization policy for equipment includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements, with a unit cost of \$50,000 or more that significantly increase the value or extend the useful life of the structure, are capitalized. Routine repairs and maintenance are recorded as an operating expense in the year in which the expense is incurred.

Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for equipment and vehicles, and 3 years for technology equipment.

J. Deferred Charges

Deferred charges consisted of bond issuance costs that are amortized over the life of the related bonds using the effective interest rate method.

K. Accounts Payable and Accrued Liabilities

Accounts payable consisted of amounts due vendors for goods and services received as of June 30, 2010. Accrued liabilities included salaries and benefits payable to current and retired employees of \$1,687,660.

L. Deferred Revenue

Deferred revenue arises when student fees are received in advance of the term for which they are charged or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. **Compensated Absences**

Compensated absence costs are accrued when earned by employees. Compensated absences include accumulated unpaid employee vacation benefits, compensatory time off, and load banking.

Load banking was available to certified employees under a program in which extra courses taught in one period could be exchanged for equivalent paid leave in a subsequent semester or academic year. This program was discontinued during the year ended June 30, 2000.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

N. **Deferred Loss on Refunding, Premiums, and Discounts**

Bond premiums and discounts, as well as accounting losses on defeasance, are deferred and amortized over the life of the bonds using the effective interest rate method.

O. **Net Assets**

Invested in capital assets, net of related debt represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. All of the District's restricted net assets are expendable.

Unrestricted net assets represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are available to be used for transactions relating to the general operation of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

P. **State Apportionments**

Certain current-year apportionments from the State are based on various financial and statistical information of the previous year. Any prior-year corrections due to recalculation are recorded in the year computed by the State.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes for the District. Tax revenues are recognized by the District in the same manner in which the County Auditor records and reports actual property tax to the County Superintendent of Schools.

R. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied on for operations are recorded as nonoperating revenues.

Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, and most federal, State, and local grants and contracts that are not for acquisition or construction of capital assets.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as local property taxes and gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 34, such as State apportionments and investment income.

S. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third-party recipient for the employees of another, legally separate, entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all community college and school districts in California. However, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments.

T. Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances represent the difference between the stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. 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 expenses during the reporting period. Actual results could differ from those estimates.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents at June 30, 2010 consisted of the following:

	<u>AMOUNT</u>
Cash in County Treasury	\$ 204,272,710
Cash on hand and in banks	<u>90,976,480</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 295,249,190</u></u>

Amounts are shown in the statement of net assets under the following captions:

Current Assets		
Cash and cash equivalents	\$ 24,861,280	
Investments		200,000
Noncurrent Assets		
Restricted Cash and Investments		
Cash and cash equivalents	\$ 270,387,910	
Investments	<u>55,860,000</u>	<u>326,247,910</u>
TOTAL CASH AND INVESTMENTS		<u><u>\$ 351,309,190</u></u>

As provided for by the Education Code Section 41001, a significant portion of the District's cash is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. These pooled funds are carried at cost, which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$205,377,621. Interest earned on such pooled cash balances is distributed to the participating funds based on each fund's average cash balance during the distribution period. Any investment losses are proportionately shared by all funds in the pool.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits (Continued)

The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits. There was no uninsured or noncollateralized cash balance held by financial institutions as of June 30, 2010.

B. Investments

Investments of \$200,000 held by the District's enterprise funds at June 30, 2010 consisted of certificates of deposit.

Investments of \$55,860,000 from bond proceeds were held in fixed income securities at June 30, 2010. Securities mature as follows:

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The fixed income securities were rated by Moody's as VMIG 1 as of June 30, 2010.

Investments held by the Post-employment Benefit Obligation Trust as of June 30, 2010 consisted of mutual funds with a fair value of \$1,065,417.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. ACCOUNTS RECEIVABLE

The accounts receivable balance as of June 30, 2010 consisted of the following:

	<u>AMOUNT</u>
Grants and Contracts	
Federal	\$ 1,927,381
State	24,701,716
Local	1,562,531
Financial aid, interest, and other	<u>6,615,813</u>
TOTAL	<u>\$ 34,807,441</u>

5. CAPITAL ASSETS

The following provides a summary of changes in capital assets for the year ended June 30, 2010:

	<u>BALANCE</u> <u>JULY 1, 2009</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
CAPITAL ASSETS				
Land	\$ 3,084,176			\$ 3,084,176
Site improvements	24,981,410	\$ 567,829		25,549,239
Buildings and improvements	159,540,740	456,049	\$ 105,000	159,891,789
Equipment	16,932,088	2,528,163	14,660	19,445,591
Construction in Progress				
Beginning/additions	69,213,928	74,395,895		
Placed in service/ ending		<u>(887,606)</u>		<u>142,722,217</u>
Total Cost	<u>273,752,342</u>	<u>\$ 77,060,330</u>	<u>\$ 119,660</u>	<u>350,693,012</u>
ACCUMULATED DEPRECIATION				
Site improvements	9,657,511	\$ 1,900,627		11,558,138
Buildings and improvements	23,664,492	3,182,898	\$ 82,249	26,765,141
Equipment	<u>10,954,901</u>	<u>1,395,995</u>	<u>14,043</u>	<u>12,336,853</u>
Total Accumulated Depreciation	<u>44,276,904</u>	<u>\$ 6,479,520</u>	<u>\$ 96,292</u>	<u>50,660,132</u>
CAPITAL ASSETS, NET	<u>\$ 229,475,438</u>			<u>\$ 300,032,880</u>

Bond interest of \$4,949,371 was capitalized in construction in progress as of June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2010 is shown below:

	BALANCE JULY 1, 2009	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2010	CURRENT PORTION
SERP liability	\$ 2,862,181	\$ 5,618,527	\$ 2,025,799	\$ 6,454,909	\$ 1,777,218
Capital leases	77,033		49,437	27,596	27,596
OPEB liability	437,208	401,647		838,855	
Compensated absences	2,010,532	88,616		2,099,148	351,381
Bonds payable	454,927,125	-	3,538,295	451,388,830	2,900,000
TOTALS	<u>\$ 460,314,079</u>	<u>\$ 6,108,790</u>	<u>\$ 5,613,531</u>	<u>\$ 460,809,338</u>	<u>\$ 5,056,195</u>

A. Supplemental Retirement Plans

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 a maximum of \$7,500 per year until the qualified individual reaches age 65.

The District approved a one-time augmentation of \$1,800, for a total maximum medical benefit of \$9,300 for fiscal year 2008, which was extended in one-year increments through June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM LIABILITIES (Continued)

A. Supplemental Retirement Plans (Continued)

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

YEARS ENDING <u>JUNE 30,</u>	<u>AMOUNT</u>
2011	\$ 1,777,218
2012	1,698,782
2013	1,600,415
2014	932,334
2015	166,341
2016	118,819
2017	74,060
2018	49,595
2019	<u>37,345</u>
TOTAL	<u>\$ 6,454,909</u>

B. Leases

Capital Leases

The District leases equipment valued at \$233,948 through agreements that provide for title to pass upon expiration of the lease period. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Accumulated amortization at June 30, 2010 amounted to \$187,528. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2010. The District pays monthly for service charges and may have contingent rentals for excess usage associated with these leases.

Future minimum lease payments of \$27,596 are due during the year ending June 30, 2011.

Operating Leases

The District leases unimproved land on Box Springs Mountain for KVCR's broadcasting equipment. The lease term expires on October 31, 2032. The lease agreement calls for monthly payments of \$1,300, adjusted annually for changes in the Consumer Price Index. As of June 30, 2010, the monthly payment amount was \$1,402. Rental expense under this operating lease totaled \$16,608 for the year ended June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM LIABILITIES (Continued)

B. Leases (Continued)

Operating Leases (Continued)

The District leases land in Palm Springs for additional broadcasting equipment. The agreement is a five-year lease expiring in 2011. The lease calls for initial quarterly payments of \$2,500, increasing 5% annually. Rental expense under this operating lease totaled \$13,108 for the year ended June 30, 2010.

The District leases a transmission tower on Blue Mountain for KVCR's broadcasts. The lease term renewed on January 1, 2009 and ends on December 31, 2010 with a yearly renewal option for four years. The lease calls for monthly payments in the amount of \$1,380, which increase annually on the commencement date by 4%. Rental expense under this operating lease totaled \$16,907 for the year ended June 30, 2010.

The District entered into a contract to lease television broadcast air time on PSTV in the Palm Springs area beginning on September 1, 2008. The lease calls for monthly payments in the amount of \$3,000. Rental expense under this operating lease totaled \$36,000 for the year ended June 30, 2010.

The District leases copy machines. The agreements are five-year leases expiring in 2010. Rental expenses under these operating leases totaled \$8,028 for the year ended June 30, 2010.

The District entered into a leasing agreement for the installation, leasing, and removal of 17 modular classrooms and restrooms. Rental expenses under this operating lease totaled \$494,684 for the year ended June 30, 2010. Remaining lease payments on the contract amount to \$80,715.

The District entered into a contract to lease offsite computer storage. Monthly lease payments of \$2,979 are due through July 31, 2012. Lease expenses under this operating lease totaled \$47,853 for the year ended June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM LIABILITIES (Continued)

B. Leases (Continued)

Operating Leases (Continued)

Future minimum rental payments under the operating leases are as follows:

YEARS ENDING JUNE 30,	AMOUNT
2011	\$ 193,914
2012	74,431
2013	72,197
2014	25,841
2015	16,824
Thereafter	<u>263,326</u>
TOTAL	<u>\$ 646,533</u>

C. 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, \$50,000,000 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. At June 30, 2010, \$52,690,000 of bonds outstanding are considered defeased.

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM LIABILITIES (Continued)

C. Bonds Payable (Continued)

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

DATE OF ISSUE	INTEREST RATE %	MATURITY DATE	AMOUNT	REDEEMED		
			OF ORIGINAL ISSUE	OUTSTANDING 7/1/2009	CURRENT YEAR	OUTSTANDING 6/30/2010
5/01/2003	2.0-5.0%	8/1/2027	\$ 50,000,000	\$ 4,375,000	\$ 670,000	\$ 3,705,000
2/12/2004	2.25-5.25%	8/1/2028	20,000,000	1,635,000	165,000	1,470,000
4/07/2005	3.0-5.0%	8/1/2021	54,430,000	50,065,000	1,765,000	48,300,000
4/07/2005	12.0%*	8/1/2023	2,132,550	2,132,550	-	2,132,550
9/13/2006	4.25-5.0%	8/1/2031	100,000,000	100,000,000	-	100,000,000
12/30/2008	3.75-6.5%	8/1/2033	140,000,000	140,000,000	-	140,000,000
6/18/2009	6.02-10.0%	8/1/2033	4,999,797	4,999,797		4,999,797
6/18/2009	7.63%	8/1/2033	15,000,000	15,000,000		15,000,000
6/18/2009	11.5%	8/1/2030	6,590,755	6,590,755		6,590,755
6/18/2009	6.78%	8/1/2038	19,638,174	19,638,174		19,638,174
6/18/2009	7.00%	8/1/2044	17,653,457	17,653,457		17,653,457
6/18/2009	7.19%	8/1/2048	12,585,722	12,585,722		12,585,722
6/18/2009	6.375-6.42%	8/1/2034	16,634,282	16,634,282		16,634,282
6/18/2009	7.43%	8/1/2039	31,210,000	31,210,000		31,210,000
6/18/2009	7.63%	8/1/2044	14,000,000	14,000,000	-	14,000,000
TOTALS			<u>\$ 504,874,737</u>	<u>\$ 436,519,737</u>	<u>\$ 2,600,000</u>	<u>\$ 433,919,737</u>

*Effective interest rate - 5.07%-5.14%

NOTES TO FINANCIAL STATEMENTS (Continued)

6. LONG-TERM LIABILITIES (Continued)

C. Bonds Payable (Continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2010, are as follows:

YEARS ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2011	\$ 2,900,000	\$ 19,061,172	\$ 21,961,172
2012	3,424,085	19,013,268	22,437,353
2013	4,055,926	19,028,902	23,084,828
2014	4,757,736	19,015,483	23,773,219
2015	5,011,848	18,947,346	23,959,194
2016-2020	33,993,241	93,426,432	127,419,673
2021-2025	45,054,816	103,785,725	148,840,541
2026-2030	103,456,369	74,128,034	177,584,403
2031-2035	137,996,129	75,618,640	213,614,769
2036-2040	49,030,409	104,905,469	153,935,878
2041-2045	31,653,457	156,200,822	187,854,279
2046-2050	12,585,721	166,936,256	179,521,977
TOTALS	<u>\$ 433,919,737</u>	<u>\$ 870,067,549</u>	<u>\$ 1,303,987,286</u>

Total liability for bonds payable includes \$17,469,093, consisting of the unamortized portions of the premiums from bond issuances less the accounting loss from advance refunding of bonds.

Bond interest totaled \$24,661,497 of which \$4,949,371 was capitalized and \$19,712,126 was expensed during the year ended June 30, 2010.

7. POST-EMPLOYMENT BENEFITS

(1) Plan Description

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

7. POST-EMPLOYMENT BENEFITS (Continued)

(1) Plan Description (Continued)

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 beyond 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:

	<u>AMOUNT</u>
Retirees receiving benefits	54
Active plan members	<u>653</u>
TOTAL	<u><u>707</u></u>

(2) Funding Policy

The District established an irrevocable trust to fund the actuarial accrued liability during the year ended June 30, 2008 and contributed \$800,000 to the Plan trust. The District has continued to pay the current premiums for post-employment health benefits through the general fund, which was \$265,574 for the year ended June 30, 2010. A contribution of \$342,000 was made to the trust but no benefits were paid from the trust during the year ended June 30, 2010.

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 amortize 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:

	<u>AMOUNT</u>
Annual required contribution	\$ 998,149
Interest on net OPEB obligation	26,232
Adjustments to annual required contribution	<u>(15,160)</u>
Annual OPEB cost (expense)	1,009,221
Contributions made	<u>(607,574)</u>
Increase in net OPEB obligation	401,647
Net OPEB obligation, beginning of year	<u>437,208</u>
Net OPEB obligation, end of year	<u><u>\$ 838,855</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

7. POST-EMPLOYMENT BENEFITS (Continued)

(3) Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 687,455	36.4%	\$ 437,208
6/30/2010	1,009,221	60.2%	838,855

(4) 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 contribution of \$342,000 and \$800,000 was made during the years ended June 30, 2010 and 2008, respectively. No contribution was made during the year ended June 30, 2009.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(5) 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

7. POST-EMPLOYMENT BENEFITS (Continued)

(5) Actuarial Methods and Assumptions (Continued)

The August 1, 2009 actuarial valuation 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.

8. PENSION PLANS

A. Public Employees' Retirement System

(1) Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined-benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Benefit provisions are established by State 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.

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 2009-2010 was 9.709% 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, 2010, 2009, and 2008 were \$2,156,895, \$2,017,044, and \$1,891,624, respectively, and equal 100% of the required contributions for each year.

B. State Teachers' Retirement System

(1) Plan Description

The District contributes to the California State Teachers' Retirement System (STRS), a cost-sharing multiple-employer defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7919 Folsom Blvd., Sacramento, California 95826.

NOTES TO FINANCIAL STATEMENTS (Continued)

8. PENSION PLANS (Continued)

B. State Teachers' Retirement System (Continued)

(2) 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the Plan members are established by State statute. The District's contributions to STRS for the years ended June 30, 2010, 2009, and 2008 were \$2,410,252, \$2,644,828, and \$2,557,994, respectively, and equal 100% of the required contributions for each year.

C. Accumulation Program for Part-Time and Limited-Service Employees Plan

(1) 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, 2010, 2009, and 2008 was \$4,273,548, \$4,006,935, and \$4,588,694, respectively. Total payroll for all employees for the years ended June 30, 2010, 2009, and 2008 was \$57,927,736, \$59,986,294, and \$57,695,234, 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.

(2) 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, 2010, 2009, and 2008 were \$264,960, \$248,430, and \$284,499, respectively. The District contributed \$55,556 and employees contributed \$209,404 for the year ended June 30, 2010.

NOTES TO FINANCIAL STATEMENTS (Continued)

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.

10. **COMMITMENTS AND CONTINGENCIES**

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.

A. **Liability for Open Claims**

(1) **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 provisions of that agreement. Coverage for workers' compensation claims is provided by a tiered system. The Workers' 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 not reported claims. This liability is reported in accrued liabilities at 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 at the date of the financial statements and the amount of the loss can be reasonably estimated.

The estimated liability for open claims and estimated incurred, but not reported claims, as of June 30, 2010 for workers' compensation was \$2,099,580. Claims paid during the year amounted to \$666,452.

NOTES TO FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

A. Liability for Open Claims (Continued)

(2) Self-Insurance - Liability and Property

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 of Community Colleges (SWACC) in conjunction with Schools Association For Excess Risk (SAFER) provide 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.

Open claims for liability and property were \$165,000 for the year ended June 30, 2010. \$9,000 was paid on liability and property claims during the year ended June 30, 2010, and no liability was recorded for open claims.

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 consideration recently settled claims, the frequency of claims, and other economic and social factors.

B. State and Federal Allowances, Awards, and Grants

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

C. 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 District attorneys, that these cases, in the aggregate, are not expected to result in a 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

D. Construction Commitments

The District had several outstanding or planned construction projects as of June 30, 2010. These projects are evidenced by contractual commitments with contractors; outstanding commitments as of June 30, 2010 were as follows:

	COSTS AS OF JUNE 30, 2010	ESTIMATED COSTS TO COMPLETE
CHC LRC Building	\$ 32,257,986	\$ 2,834,000
CHC Community Recreation Facility	12,384,657	717,000
SBVC Physical Sciences Building	25,442,307	25,817,000
SBVC Media and Communications Building	15,595,511	20,000
SBVC North Hall Building	25,844,188	8,797,000
CHC Infrastructure Projects	27,111,298	5,526,000
SBVC Gymnasium and Pools	9,492	64,627,000
SBVC Business Building Renovation	149,879	15,485,000
SBVC Site Infrastructure/ADA	14,044	7,986,000
CHC Science Portable Classrooms	80,518	3,621,000
CHC Central Plant/Energy Systems	62,201	4,106,000
SBVC Central Plant/Infrastructure	177,430	21,024,000
CHC Parking Structure #1	1,481,239	29,155,000
SBVC Parking Structure #1	972,484	42,088,000
CHC Campus-wide Parking/Lighting	1,109,990	12,841,000
CHC Wellness Pool	28,993	2,437,000
TOTALS	<u>\$ 142,722,217</u>	<u>\$ 247,081,000</u>

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 a summary of these arrangements:

A. 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 coverages and 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 a weighted system based on Average Daily Attendance.

NOTES TO FINANCIAL STATEMENTS (Continued)

11. JOINT POWERS ARRANGEMENTS (Continued)

B. **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.

C. **Schools Alliance for Workers' Compensation Excess II Self-Funded 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.

D. **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.

E. **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.

NOTES TO FINANCIAL STATEMENTS (Continued)

11. JOINT POWERS ARRANGEMENTS (Continued)

E. San Bernardino Regional Emergency Training Center (SBRETC) (Continued)

Condensed Financial Information

	SAFER (Audited) 6-30-2009	SWACC (Audited) 6-30-2009	SAWCX II (Audited) 6-30-2009	SBRETC (Unaudited) 6-30-2009
Assets	\$ 140,632	\$ 43,932,016	\$ 24,767,123	\$ 585,096
Liabilities	10,239	17,901,413	19,698,147	
NET ASSETS	<u>\$ 130,393</u>	<u>\$ 26,030,603</u>	<u>\$ 5,068,976</u>	<u>\$ 585,096</u>
Revenue	\$ 36,172,960	\$ 8,863,186	\$ 30,836	\$ 580,179
Expenses	(36,181,611)	(4,645,357)	(2,126,846)	(338,027)
Other income	134,787	1,953,803	940,987	1,461
CHANGES IN NET ASSETS	<u>\$ 126,136</u>	<u>\$ 6,171,632</u>	<u>\$ (1,155,023)</u>	<u>\$ 243,613</u>

The financial information for CCCFA is not available. None of the joint powers authorities had any long-term debt as of June 30, 2009.

NOTES TO FINANCIAL STATEMENTS (Continued)

12. FUNCTIONAL EXPENSES

Operating expenses are shown on the statement of revenues, expenses, and changes in net assets based on their natural classification. The following schedule shows these expenses according to function as well as by natural classification:

	SALARIES	EMPLOYEE BENEFITS	SUPPLIES, MATERIALS, OTHER EXPENSES, AND SERVICES	FINANCIAL AID	UTILITIES	DEPRE- CIATION	TOTAL
Instructional activities	\$26,112,308	\$ 5,725,741	\$ 1,427,957		\$ 3,123		\$ 33,269,129
Academic support	6,069,823	1,757,161	1,618,158				9,445,142
Student services	8,511,641	2,401,306	601,177				11,514,124
Operation and maintenance of plant	3,114,746	1,213,131	3,492,349		2,655,620		10,475,846
Instructional support services	7,647,480	7,960,397	3,302,703				18,910,580
Community services and economic development	1,147,342	230,535	1,860,080				3,237,957
Ancillary services and auxiliary operation	4,463,713	1,562,971	8,709,171	\$ 222,922	200,042	\$ 19,169	15,177,988
Physical property and related acquisitions	124,485	37,697	190,789				352,971
Long-term debt and other financing			32,953				32,953
Student aid			27,342	20,327,440			20,354,782
Depreciation expense	-	-	-	-	-	6,460,351	6,460,351
TOTALS	<u>\$57,191,538</u>	<u>\$ 20,888,939</u>	<u>\$21,262,679</u>	<u>\$ 20,550,362</u>	<u>\$2,858,785</u>	<u>\$6,479,520</u>	<u>\$129,231,823</u>

13. NEW ACCOUNTING STANDARDS

Governmental Accounting Standard No. 51

In June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement requires that an intangible asset can be recognized in the statement of net assets only if it is considered identifiable. This statement provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. This statement is effective for the District's year ended June 30, 2010. The implementation did not have any effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POST-EMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2010**

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS (AVA)</u>	<u>ACTUARIAL ACCRUED LIABILITY (ENTRY AGE NORMAL COST METHOD)</u>	<u>UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</u>	<u>FUNDING RATIO</u>	<u>COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>
8/1/2006	-	\$ 5,110,498	\$ 5,110,498	0.00%	\$ 33,678,675	15.17%
8/1/2009	\$ 1,168,751	8,338,911	7,170,160	14.02%	42,707,577	16.79%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2010

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>ANNUAL REQUIRED</u> <u>CONTRIBUTION</u>	<u>PERCENTAGE</u> <u>CONTRIBUTED</u>
2009	\$ 687,455	36.4%
2010	1,009,221	60.2%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
CHILD DEVELOPMENT CENTER
COMBINING STATEMENT OF ACTIVITIES
JUNE 30, 2010

	CSPP 9451	CCTR 9421	CIMS 9495	CSCC 8261	CCAP 8302	TOTAL CDE CD CONTRACTS	NON-CDE PROGRAMS	TOTAL
REVENUE AND SUPPORT								
Government Contracts:								
Child care programs	\$ 1,038,953	\$ 309,380	\$ 1,757	\$ 1,000	\$ 1,435	\$ 1,352,525	\$ 50,821	\$ 1,403,346
Child Care Food Program	109,326	27,332	-	-	-	136,658	-	136,658
	1,148,279	336,712	1,757	1,000	1,435	1,489,183	50,821	1,540,004
In-kind contributions								
Unrestricted contributions and other income	-					-	23,131	23,131
Family fees - certified children		51,020				51,020		51,020
Interest income	-	-	-	-	-	-	-	-
Total revenue and support	1,148,279	387,732	1,757	1,000	1,435	1,540,203	73,952	1,614,155
EXPENSES								
Provider payments	-	-						-
Salaries	774,147	244,518				1,018,665	52,005	1,070,670
Employee Benefits	322,294	75,970				398,264	4,425	402,689
Books and supplies	86,134	35,368	1,757	1,000	1,435	125,694	18,549	144,243
Rents and leases	-	-				-		-
Other operating expenses	-	3,112				3,112	3,310	6,422
Building repairs and maintenance	-	-				-		-
Equipment expense	-	-				-		-
Depreciation	-	-				-		-
In-kind contributions expense	-	-				-		-
General, administrative, and indirect	94,718	28,764	-	-	-	123,482	3,584	127,066
Total expenses	1,277,293	387,732	1,757	1,000	1,435	1,669,217	81,873	1,751,090
CHANGES IN NET ASSETS	\$ (129,014)	\$ -	\$ -	\$ -	\$ -	\$ (129,014)	\$ (7,921)	\$ (136,935)

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
CHILD DEVELOPMENT CENTER
SCHEDULE OF EXPENDITURES BY STATE CATEGORY
JUNE 30, 2010

<u>EXPENDITURES</u>	<u>CSPP</u> 9451	<u>CCTR</u> 9421	<u>CIMS</u> 9495	<u>CSCC</u> 8261	<u>CCAP</u> 8302	<u>TOTAL</u> <u>CD CONTRACTS</u>
Direct payments to providers						
1000 Certificated salaries	-	-				-
2000 Classified salaries	\$ 774,147	\$ 244,518				\$ 1,018,665
3000 Employee benefits	322,294	75,970				398,264
4000 Books and supplies	86,134	35,368	\$ 1,757	\$ 1,000	\$ 1,435	125,694
5000 Services and other operating expenses	-	3,112				3,112
Indirect costs	<u>94,718</u>	<u>28,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,482</u>
Total expenses claimed for reimbursement	1,277,293	387,732	1,757	1,000	1,435	1,669,217
Total supplemental expenses						
TOTAL EXPENDITURES	<u>\$ 1,277,293</u>	<u>\$ 387,732</u>	<u>\$ 1,757</u>	<u>\$ 1,000</u>	<u>\$ 1,435</u>	<u>\$ 1,669,217</u>

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
CHILD DEVELOPMENT CENTER
AUD FORMS
JUNE 30, 2010

CALIFORNIA DEPARTMENT OF EDUCATION
ATTENDANCE AND FISCAL REPORT FOR
CHILD DEVELOPMENT PROGRAMS

Please read instructions before completing report.

CDFS 9500 PG. 1 OF 4 (06/09)

Mail completed report to:

CALIFORNIA DEPARTMENT OF EDUCATION

Child Development Fiscal Services

1430 N Street, Suite 2213

Sacramento, CA 95814-5901

REPORTING PERIOD		CONTRACT NUMBER	
MONTH ENDING	YEAR	C C T R 9 4 2 1	
June	2010		
		COUNTY	VENDOR CODE
		3 6	6 7 8 8

FULL NAME OF CONTRACTING AGENCY

San Bernardino Community College District

FISCAL ANALYST

Clint Thompson

SECTION I -

CERTIFIED CHILDREN

DAYS OF ENROLLMENT

	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE PRIOR PERIOD (COL. C Prior Report)	CURRENT PERIOD	CUMULATIVE FISCAL YEAR (COL. A + Col. B)	ADJUST- MENT FACTOR	ADJUSTED DAYS OF ENROLLMENT (Col. C x Col. D) (Do not round)
Infants (up to 18 months)					
Full-time-plus				2.006	
Full-time	2697	718	3415	1.70	5805.5
Three-quarters-time				1.275	
One-half-time				0.935	
FCCH Infants (up to 18 months)					
Full-time-plus				1.652	
Full-time				1.40	
Three-quarters-time				1.05	
One-half-time				0.77	
Toddlers (18 up to 36 months)					
Full-time-plus				1.652	
Full-time	6472	1907	8379	1.40	11730.6
Three-quarters-time				1.05	
One-half-time				0.77	
Three Years and Older					
Full-time-plus				1.18	
Full-time	0	0	0	1.00	0
Three-quarters-time				0.75	0
One-half-time				0.55	
Exceptional Needs					
Full-time-plus				1.416	
Full-time	0	0	0	1.20	0
Three-quarters-time				0.90	
One-half-time	54	0	54	0.66	35.64
Limited and Non-English Proficient					
Full-time-plus				1.298	
Full-time				1.10	
Three-quarters-time				0.825	
One-half-time				0.605	
At Risk of Abuse or Neglect					
Full-time-plus				1.298	
Full-time				1.10	
Three-quarters-time				0.825	
One-half-time				0.605	
Severely Disabled					
Full-time-plus				1.77	
Full-time				1.50	
Three-quarters-time				1.125	
One-half-time				0.825	
TOTAL DAYS OF ENROLLMENT	9223	2625	11848		17571.74
DAYS OF OPERATION	161	63	224		
DAYS OF ATTENDANCE	9223	2625	11848		

NO NONCERTIFIED CHILDREN

Check this box and continue to Section III if no noncertified children are enrolled in the program.

**CALIFORNIA DEPARTMENT OF EDUCATION
ATTENDANCE AND FISCAL REPORT FOR
CHILD DEVELOPMENT PROGRAMS**
CDFS 9500 PG. 2 OF 3 (06/08)

Please read instructions before completing report.

Note: Section II – Information for noncertified children must be submitted as a part of this report. If you do not serve noncertified children, check the box on page 1 and omit this page

REPORTING PERIOD		CONTRACT NUMBER	
MONTH ENDING June	YEAR 2010	C C T R 9 4 2 1	

COUNTY	VENDOR CODE
3 6	6 7 8 8

FULL NAME OF CONTRACTING AGENCY San Bernardino Community College District	ANALYST Clint Thompson
--	---------------------------

SECTION II - NON-CERTIFIED CHILDREN	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE PRIOR PERIOD (COL. C Prior Report)	CURRENT PERIOD	CUMULATIVE FISCAL YEAR (COL. A + Col. B)	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT (Col. C x Col. D) (Do not round)
DAYS OF ENROLLMENT					
Infants (up to 18 months)					
Full-time-plus				2.006	
Full-time				1.70	
Three-quarters-time				1.275	
One-half-time				0.935	
FCCH Infants (up to 18 months)					
Full-time-plus				1.652	
Full-time				1.40	
Three-quarters-time				1.05	
One-half-time				0.77	
Toddlers (18 up to 36 months)					
Full-time-plus				1.652	
Full-time				1.40	
Three-quarters-time				1.05	
One-half-time				0.77	
Three Years and Older					
Full-time-plus				1.18	
Full-time	0	0	0	1.00	0
Three-quarters-time				0.75	
One-half-time	0	0	0	0.55	0
Exceptional Needs					
Full-time-plus				1.416	
Full-time				1.20	
Three-quarters-time				0.90	
One-half-time				0.66	
Limited and Non-English Proficient					
Full-time-plus				1.298	
Full-time				1.10	
Three-quarters-time				0.825	
One-half-time				0.605	
At Risk of Abuse or Neglect					
Full-time-plus				1.298	
Full-time				1.10	
Three-quarters-time				0.825	
One-half-time				0.605	
Severely Disabled					
Full-time-plus				1.77	
Full-time				1.50	
Three-quarters-time				1.125	
One-half-time				0.825	
TOTAL DAYS OF ENROLLMENT	0	0	0		0

CALIFORNIA DEPARTMENT OF EDUCATION

Please read instructions before completing report.

**ATTENDANCE AND FISCAL REPORT FOR
CHILD DEVELOPMENT PROGRAMS**
CDFS 9500 Pg. 3 of 4 (06/09)

REPORTING PERIOD		CONTRACT NUMBER	
MONTH ENDING	YEAR	C C T R 9 4 2 1	
June	2010		
		COUNTY	VENDOR CODE
		3 6	6 7 8 8

FULL NAME OF CONTRACTING AGENCY San Bernardino Community College District	FISCAL ANALYST Clint Thompson
--	----------------------------------

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE PRIOR PERIOD (Col. C Prior Report)	CURRENT PERIOD	CUMULATIVE FISCAL YEAR (Col. A + Col. B)
SECTION III - REVENUE (See Instructions)			
RESTRICTED INCOME			
Child Nutrition Programs	15,737	11,594	27,332
County Maintenance of Effort (EC Section 8279)			
Other:			
SUBTOTAL	\$15,737	\$11,594	\$27,332
Transfer From Reserve	Contract #		
	Contract #		
Family Fees for Certified Children	Contract # CCTR 9421	36,994	14,025
	Contract #		
Int. Earned on Apportionment Pmts	Contract #		
	Contract #		
UNRESTRICTED INCOME	0	0	0
Family Fees for Noncertified Children			
Other:			
TOTAL REVENUE	\$52,732	\$25,620	\$78,351

SECTION IV - REIMBURSABLE EXPENSES (See Instructions)			
Direct Payments to Providers (FCCH only)			
1000 Certified Salaries			
2000 Classified Salaries	171,156	73,361	244,518
3000 Employee Benefits	63,989	11,981	75,970
4000 Books and Supplies	26,857	8,511	35,368
5000 Services and Other Operating Expenses	2,723	388	3,112
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)	0	0	0
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs (Rate: 8%; include in Admin Cost)	0	28,764	28,764
NONREIMBURSABLE (STATE USE ONLY)			
TOTAL REIMBURSABLE EXPENSES	\$264,725	\$123,006	\$387,732
TOTAL ADMINISTRATIVE COST (included in Section IV above)	0	28,764	28,764

COMMENTS: If necessary, attach an additional sheet to explain information contained in this report.
 CERTIFICATION - I hereby certify that, to the best of my knowledge and belief, the information in this report is accurate and complete.

Signature of Agency Designee (Original signature only)	E-mail Address pongoco@sbccd.cc.ca.us	Telephone (909) 382-4028	Date
Designee Name & Title (Please Print):			
Agency Fiscal Contact Name & Title Penny Ongoco - Director, Fiscal Services	E-mail Address pongoco@sbccd.cc.ca.us	Telephone (909) 382-4028	Date

NO SUPPLEMENTAL REVENUE

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
 CHILD DEVELOPMENT CENTER
AUD FORMS
 JUNE 30, 2010

CALIFORNIA DEPARTMENT OF EDUCATION
 ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS

Please read instructions before completing report.

CDFS 8501 Pg. 1 of 4 (06/09)

REPORTING PERIOD	CONTRACT NUMBER	
MONTH ENDING YEAR June 2010	C S P P 9 4 5 1	
COUNTY	VENDOR CODE	
3 6	6 7 8 8	

Mail completed report to:

CALIFORNIA DEPARTMENT OF EDUCATION
Child Development Fiscal Services
 1430 N Street, Suite 2213
 Sacramento, CA 95814-5901

FULL NAME OF CONTRACTING AGENCY San Bernardino Community College District	FISCAL ANALYST Clint Thompson
--	----------------------------------

SECTION I -	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
CERTIFIED CHILDREN	CUMULATIVE PRIOR PERIOD (COL. C Prior Report)	CURRENT PERIOD	CUMULATIVE FISCAL YEAR (COL. A + Col. B)	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT (Col. C x Col. D) (Do not round)
DAYS OF ENROLLMENT					
<i>Three and Four Year Olds</i>					
Full-time-plus				1.18	
Full-time	15445	6491	21936	1.00	21936
Three-quarters-time				0.75	
One-half-time	10082	3037	13119	0.6172	8097.05
<i>Exceptional Needs</i>					
Full-time-plus				1.416	
Full-time	30	52	82	1.20	98.4
Three-quarters-time				0.90	
One-half-time	92	51	143	0.6172	88.2596
<i>Limited and Non-English Proficient</i>					
Full-time-plus				1.298	
Full-time	0	0	0	1.10	0
Three-quarters-time				0.825	
One-half-time				0.6172	
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus				1.298	
Full-time	0	0	0	1.10	0
Three-quarters-time				0.825	0
One-half-time				0.6172	
<i>Severely Disabled</i>					
Full-time-plus				1.77	
Full-time	0	0	0	1.50	0
Three-quarters-time				1.125	
One-half-time				0.6172	
TOTAL DAYS OF ENROLLMENT	25649	9631	35280		30219.71
DAYS OF OPERATION	161	63	224		
DAYS OF ATTENDANCE	25649	9631	35280		

NO NONCERTIFIED CHILDREN Check this box and continue to Section III if no noncertified children are enrolled in the program.

**CALIFORNIA DEPARTMENT OF EDUCATION
ATTENDANCE AND FISCAL REPORT FOR
CALIFORNIA STATE PRESCHOOL
PROGRAMS**

CDFS 8501 Pg. 3 of 4 (06/09)

Please read instructions before completing report.

REPORTING PERIOD		CONTRACT NUMBER	
MONTH ENDING	YEAR	C S P P	9 4 5 1
June	2010		
		COUNTY	VENDOR CODE
		3 6	6 7 8 8

FULL NAME OF CONTRACTING AGENCY San Bernardino Community College District	FISCAL ANALYST Clint Thompson
--	----------------------------------

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE PRIOR PERIOD (Col. C Prior Report)	CURRENT PERIOD	CUMULATIVE FISCAL YEAR (Col. A + Col. B)
SECTION III - REVENUE (See Instructions)			
RESTRICTED INCOME			
Child Nutrition Programs	62,949	46,377	109,326
County Maintenance of Effort (EC Section 8279)			
Other:			
SUBTOTAL	62,949	46,377	109,326
Transfer From Reserve Contract #			
Contract #			
Family Fees for Certified Children Contract #			
Contract #			
Int. Earned on Apportionment Pmts. Contract #			
Contract #			
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			
Headstart			
Other:			
TOTAL REVENUE	\$62,949	\$46,377	\$109,326

SECTION IV - REIMBURSABLE EXPENSES (See Instructions)			
1000 Certified Salaries			
2000 Classified Salaries	583,197	190,950	774,147
3000 Employee Benefits	230,534	91,760	322,294
4000 Books and Supplies	65,787	20,348	86,134
5000 Services and Other Operating Expenses	0	0	0
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Indirect Costs (Rate: 8%; include in Admin. Cost)	0	94,718	94,718
NONREIMBURSABLE (STATE USE ONLY)			
TOTAL REIMBURSABLE EXPENSES	\$879,518	\$397,775	\$1,277,293
TOTAL ADMINISTRATIVE COST (included in Section IV above)		94,718	94,718

COMMENTS: If necessary, attach an additional sheet to explain information contained in this report.

CERTIFICATION - I hereby certify that, to the best of my knowledge and belief, the information in this report is accurate and complete.

Signature of Agency Designee (Original signature only)	E-mail Address pongoco@sbccd.cc.ca.us	Telephone (909) 382-4028	Date
Designee Name & Title (Please Print):			
Agency Fiscal Contact Name & Title Penny Ongoco - Director, Fiscal Services	E-mail Address pongoco@sbccd.cc.ca.us	Telephone (909) 382-4028	Date

NO SUPPLEMENTAL REVENUE

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

PURPOSE OF SCHEDULES

A. Schedule of Post-employment Healthcare Benefits 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.

Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the District elected to implement prospectively; therefore, prior-year comparative valuation data is not available. In future years, as valuations are performed, three-year valuation trend information will be presented.

B. Schedule of Employer Contributions

This schedule is prepared in accordance with Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

The District made contributions totaling \$342,000 to the OPEB Trust during the fiscal year ended June 30, 2010. The District has continued to pay for retiree OPEB benefits on a pay-as-you-go basis from District funds. No benefits have been paid out of the Trust.

C. 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.

D. 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.

SUPPLEMENTARY INFORMATION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
ORGANIZATION DATA
 JUNE 30, 2010

ORGANIZATION

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

As of June 30, 2010, 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 school districts were added to the boundaries of the San Bernardino Community College District during the fiscal year ended June 30, 2010.

BOARD OF TRUSTEES

		<u>TERM EXPIRES</u>
James C. Ramos	President	November 1, 2010
Carleton W. Lockwood, Jr.	Vice President	November 1, 2012
Donald L. Singer	Clerk	November 1, 2010
John M. Futch	Member	November 1, 2012
John Longville	Member	November 1, 2012
Charles S. Terrell, Jr.	Member	November 1, 2010
Jess Vizcaino, Jr.	Member	November 1, 2012
Robert Alexander	Student Trustee	May 31, 2011
Daniel Shedd	Student Trustee	May 31, 2011

ADMINISTRATION

Bruce Baron, M.S.	Acting 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 YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL PROGRAM EXPENDITURES
U.S. Department of Education			
Student Financial Aid Cluster			
Federal Work-Study Program	84.033		\$ 330,589
Federal Supplemental Educational Opportunity Grant	84.007		342,751
Federal Pell Grant Program	84.063		<u>17,897,237</u>
Total Student Financial Aid			18,570,577
Hispanic-Serving Institutions	84.031S		1,180,876
College Cost Reduction & Access	84.031C		344,481
Title IV - Student Support Services	84.042A		<u>282,990</u>
Total Direct Programs			<u>20,378,924</u>
Passed Through California Department of Education			
Vocational and Applied Technology Education Act			
Title IIC	84.048	04-C01-046	533,006
Passed Through Riverside Community College			
Vocational and Applied Technology Education Act			
Region IX Community College Consortium	84.048		2,151
ARRA - Workability	84.390A	01-0342-007	7,629
ARRA - State Fiscal Stabilization Fund	84.394		395,700
ARRA - Passed Through County of San Bernardino			
California Workability	84.390A		<u>22,688</u>
Total Pass-Through Programs			<u>961,174</u>
Total U.S. Department of Education			<u>21,340,098</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Care Food Program	10.558	36-1534-6A	<u>133,076</u>
Total U.S. Department of Agriculture			<u>133,076</u>
U.S. Department of Labor			
Passed Through County of San Bernardino, California			
High Growth Job Training	17.261		851,604
So Cal Logistics Tech Collaborative	17.275		<u>156,922</u>
Total U.S. Department of Labor			<u>1,008,526</u>
U.S. Department of Health and Human Services			
Passed Through County of San Bernardino, California			
Temporary Assistance for Needy Families	93.558	04-774	21,631
Passed Through Yosemite Community College District			
Child Development Consortium	93.575	04-3615	<u>1,144</u>
Total U.S. Department of Health and Human Services			<u>22,775</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 22,504,475</u>

The accompanying notes to supplementary information are an integral part of this schedule.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS AND PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2010**

PROGRAM NAME	PROGRAM ENTITLEMENTS			PROGRAM REVENUES				PROGRAM EXPENDITURES		
	CURRENT YEAR	PRIOR-YEAR CARRYOVER	TOTAL	CASH RECEIVED	ACCOUNTS RECEIVABLE	DEFERRED/PAYABLE	TOTAL	DIRECT	INDIRECT	TOTAL
State Categorical Aid Programs										
Independent Living Grant	\$ 35,118		\$ 35,118	\$ 3,442	\$ 25,457		\$ 28,899	\$ 28,899		\$ 28,899
Career Advancement Academy	-		-	-	67,418	\$ 29,089	38,329	38,329		38,329
3 C Media - CCC	923,192	\$ 73,192	996,384	731,739			804,931	804,931	-	804,931
Instructional Equipment	21,973	374,944	396,917	5,722		291,252	89,414	89,414		89,414
Block Grant	559,149	927,959	1,487,108	550,137		1,226,223	251,873	251,873		251,873
Faculty and Staff Diversity	-	65,735	65,735	7,312		63,196	9,851	9,851		9,851
Matriculation	783,442	29,465	812,907	675,502			704,967	704,967		704,967
California High School Exit Exam	265,942	10,616	276,558	(3,890)	240,000		246,726	245,027	\$ 1,700	246,727
Basic Skills	592,041	411,384	1,003,425	161,708		181,958	391,134	391,134		391,134
Faculty and Staff Development	49,457	49,457	98,914	-		42,155	7,302	7,302		7,302
Extended Opportunity Program and Services	806,898	11,891	818,789	550,107			561,998	561,998		561,998
Cooperative Agencies Resources for Education	139,379	14,469	153,848	108,934		1,350	122,053	122,053		122,053
Disabled Student Services	813,233	43,132	856,365	917,851			960,983	960,983		960,983
Workability Grant	142,762	-	142,762	61,586	73,599		135,185	125,694	9,491	135,185
Economic Development Competitive	58,521	-	58,521	53,182	5,338		58,520	56,027	2,493	58,520
Economic Development Consortia	-	-	-	-			-			-
Economic Development Small Manufacturing	53,158	-	53,158	53,158			53,158	51,235	1,923	53,158
Economic Development RTF Woodwork	366,390	205,733	572,123	83,060			288,793	278,192	10,601	288,793
Economic Development RTF Nanotechnology	-	-	-	-			-			-
Economic Development IDRC Job Development	222,058	34,015	256,073	165,595	8,649		208,259	200,986	7,273	208,259
WIA State Match	961	470	1,431	491		702	259	259		259
Employment Training Panel	261,448	-	261,448	989	114,358		115,347	115,347		115,347
Career Technical Education Nursing Equipment	708	708	1,416	-			708	708		708
Career Technical Education Community	-						-			
Collaborative	872,938	562,938	1,435,876	310,020		292,466	580,492	560,058	20,433	580,491
RTF Lean Processing Training	473,468	265,859	739,327	182,493	-	106,321	342,031	328,876	13,155	342,031
School to Career	-	37,387	37,387			37,387	-	-		-
Telecommunications and Technology	94,581	93,768	188,349	813		57,792	36,789	36,789		36,789
California Energy Commission	220,000		220,000	-	38,049		38,049	36,586	1,463	38,049

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS AND PROGRAMS (Continued)

PROGRAM NAME	PROGRAM ENTITLEMENTS			PROGRAM REVENUES				PROGRAM EXPENDITURES		
	CURRENT YEAR	PRIOR-YEAR CARRYOVER	TOTAL	CASH RECEIVED	ACCOUNTS RECEIVABLE	DEFERRED/PAYABLE	TOTAL	DIRECT	INDIRECT	TOTAL
State Categorical Aid Programs (Continued)										
California Articulation Number System	\$ 6,136	\$ 6,136	\$ 12,272			\$ 633	\$ 5,503	\$ 5,503		\$ 5,503
California Clean Energy Workforce Training	869,651		869,651	-	\$ 83,912		83,912	77,696	\$ 6,216	83,912
SFAA-BFAP Administrative Allowance	767,944	54,716	822,660	\$ 604,267			658,983	658,983		658,983
CalWORKs	568,888	-	568,888	682,295		-	682,295	682,295		682,295
Temporary Assistance for Needy Families	82,591	-	82,591	-	25,974	4,343	21,631	21,631		21,631
Transfer and Articulation Grant	10,372	10,372	20,744			10,372	-	-		-
Child Development - Foster Parent	211,113		211,113	105,511	110,001		215,512	211,068	4,444	215,512
Center for Business Excellence	163,074	28,604	191,678	118,203	16,267	-	163,074	156,715	6,359	163,074
Workforce Development	127,739	29,345	157,084	62,489	24,002	21,280	94,556	90,975	3,580	94,555
School Readiness Program	-		-	(3,054)		-	(3,054)	(3,054)	-	(3,054)
Lottery	173,200		173,200	-	223,474	-	223,474	223,474		223,474
Seismic Retrofit Project	55,424,594		55,424,594	26,575,041	11,896,050		38,471,091	38,471,091		38,471,091
Child Development - General Center Child Care	465,055	190,320	655,375	421,658	837	249,086	363,729	336,786	26,943	363,729
Program Supplies Grant	1,781		1,781	445	1,312	-	1,757	1,757		1,757
Child Development - State Preschool Grant	1,442,129	67,966	1,510,095	1,158,767	291,749	105,301	1,413,181	1,325,248	87,933	1,413,181
Child Development - Food Program	9,927		9,927	7,879	1,227		9,106	-	9,106	9,106
Family Literacy Grant AB172	211,258		211,258	50,821	-		50,821	50,821		50,821
Pre-Kindergarten CC Resource	2,000		2,000	-	999		999	1,000		1,000
Infant Toddler Resource	3,168		3,168	84	1,435	84	1,435	1,435		1,435
Cal Grants	-	-	-	1,087,786	-	-	1,087,786	1,087,786	-	1,087,786
TOTALS	<u>\$ 68,297,436</u>	<u>\$ 3,600,581</u>	<u>\$ 71,898,017</u>	<u>\$ 35,492,142</u>	<u>\$ 13,250,107</u>	<u>\$ 2,720,990</u>	<u>\$ 49,621,840</u>	<u>\$ 49,408,728</u>	<u>\$ 213,113</u>	<u>\$ 49,621,841</u>

The accompanying notes to supplementary information are an integral part of this schedule.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2010**

CATEGORIES	REPORTED DATA	AUDIT ADJUSTMENTS	REVISED DATA
A. Summer Intersession (Summer 2009 Only)			
1. Noncredit	-		-
2. Credit	1,240.22		1,240.22
B. Summer Intersession (Summer 2010 - Prior to July 1, 2010)			
1. Noncredit	-		-
2. Credit	2.13		2.13
C. Primary Term (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,215.31		11,215.31
(b) Daily Census Contact Hours	2,275.99		2,275.99
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	80.69		80.69
(b) Credit	882.38		882.38
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	69.00		69.00
(b) Daily Census Contact Hours	72.37		72.37
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>15,838.09</u>	<u>-</u>	<u>15,838.09</u>
Supplemental Information			
E. In-service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit			
2. Credit	1,036.88		

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The audit resulted in adjustments to the fund balances reported on the June 30, 2010 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.

	<u>OTHER SPECIAL REVENUE FUND (39) (KVCR)</u>
June 30, 2010 Annual Financial and Budget Report (Form CCFS-311) fund balance (deficit)	\$ (1,468,858)
Adjustments and Reconciliations Increasing the Fund Balances	
KVCR Educational Foundation, Inc.	<u>5,445,180</u>
JUNE 30, 2010 AUDITED FINANCIAL STATEMENT FUND BALANCE	<u><u>\$ 3,976,322</u></u>

The accompanying notes to supplementary information are an integral part of this schedule.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF GENERAL FUND FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

	(BUDGET) 2011		2010		2009		2008	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
GENERAL FUND								
Revenues								
From federal sources	\$ 8,246,850	8.71	\$ 4,372,298	5.06	\$ 2,820,622	3.15	\$ 2,922,989	3.17
From State sources	63,093,362	66.64	61,816,940	71.55	68,970,003	77.35	61,742,282	67.05
From local and intermediate sources	21,090,189	22.28	22,003,563	25.47	21,887,816	24.55	20,804,713	22.59
Total Revenues	<u>92,430,401</u>	<u>97.63</u>	<u>88,192,801</u>	<u>102.08</u>	<u>93,678,441</u>	<u>105.05</u>	<u>85,469,984</u>	<u>92.81</u>
Expenditures								
Academic salaries	31,791,439	33.59	33,048,741	38.25	36,217,312	40.62	35,315,705	38.35
Classified salaries	20,895,428	22.08	20,281,079	23.47	19,639,030	22.02	18,942,806	20.57
Employee benefits	14,324,130	15.13	13,605,822	15.75	13,375,813	15.00	13,762,217	14.95
Supplies and materials	1,781,094	1.88	1,427,114	1.65	1,684,390	1.89	1,847,170	2.01
Other operating expenses and services	20,211,657	21.35	10,557,555	12.22	11,982,351	13.44	12,218,604	13.27
Capital outlay	1,628,453	1.72	1,991,567	2.31	2,380,501	2.67	1,987,049	2.16
Student financial aid	543,679	0.57	896,119	1.04	1,212,227	1.36	1,171,977	1.27
Other uses (net)	3,498,100	3.68	4,586,408	5.31	2,679,386	3.00	6,832,547	7.42
Total Expenditures	<u>94,673,980</u>	<u>100.00</u>	<u>86,394,405</u>	<u>100.00</u>	<u>89,171,010</u>	<u>100.00</u>	<u>92,078,075</u>	<u>100.00</u>
Change in Fund Balance	<u>\$ (2,243,579)</u>	<u>(2.37)</u>	<u>\$ 1,798,396</u>	<u>2.08</u>	<u>\$ 4,507,431</u>	<u>5.05</u>	<u>\$ (6,608,091)</u>	<u>(7.19)</u>
Ending Fund Balance	<u>\$ 16,466,895</u>	<u>17.39</u>	<u>\$ 18,710,474</u>	<u>21.66</u>	<u>\$ 16,912,078</u>	<u>18.97</u>	<u>\$ 12,404,647</u>	<u>13.47</u>
Full-Time Equivalent Students	<u>16,313</u>		<u>15,838</u>		<u>15,314</u>		<u>14,103</u>	
Total Long-Term Debt, Including Retiree Benefit Liability	<u>\$ 461,762,905</u>		<u>\$ 466,795,100</u>		<u>\$ 458,633,362</u>		<u>\$ 169,805,313</u>	

IMPORTANT NOTES:

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of expenditures as a minimum, with a prudent ending fund balance being 5% of expenditures.

The accompanying notes to supplementary information are an integral part of this schedule.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

PURPOSE OF SCHEDULES

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the San Bernardino Community College District for the year ended June 30, 2010 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 and State requirements, the schedule of expenditures of federal awards and the schedule of State financial assistance were prepared for the San Bernardino Community College District on the modified accrual basis of accounting.

B. Schedule of Workload Measures for State General Apportionment

The schedule of workload measures for State general apportionment presents data used as the basis of apportionment to the San Bernardino Community College District.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311. Additional entries were made to comply with the reporting requirements of GASB Statements No. 34 and 35. These entries are not considered audit adjustments for purposes of this reconciliation.

D. Schedule of General Fund Financial Trends and Analysis

This schedule is prepared to show financial trends of the General Fund over the current and past two years as well as the budget for the upcoming year. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

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**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, 2010, which collectively comprise the San Bernardino Community College District's basic financial statements and have issued our report thereon dated December 16, 2010. 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 opinions 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 the San Bernardino Community College District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs items 10-1 and 10-3 to be significant deficiencies in internal control over financial reporting. 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 10-2, 10-3, 10-4, and 10-5.

We noted certain matters that we reported to management of San Bernardino Community College District, in a separate letter dated December 16, 2010.

San Bernardino Community College District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit San Bernardino Community College District's response and, accordingly, we express no opinion on it.

This report is intended for the information 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.

Eadie and Payne LLP

December 16, 2010

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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 December 16, 2010. 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.

1. **State General Apportionment Funding System**

The District has the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment: credit Full-time Equivalent Students (FTES) in weekly census, daily census, actual hours of attendance, and apprenticeship courses and noncredit FTES in actual hours of attendance and distance education courses.

2. **Open Enrollment**

The District complied with the California Code Regulations, Title V, provisions related to open enrollment by the general public for all of the courses submitted for State apportionment funding.

3. **Student Fees - Instructional Materials Fees and Health Fees**

The District has adopted policies that specify the conditions under which students are required to provide instructional materials. The District only requires students to provide instructional materials which are of a continuing value to the students outside of the classroom setting, are tangible personal property that is owned or primarily controlled by the student, and that are not solely or exclusively available from the District, unless the District is the only source of material or there is a health or safety reason for requiring the student to purchase the material from the District or the District can demonstrate that they can offer the materials more cheaply than elsewhere and at the District's actual cost. The District has procedures to clearly notify students of optional fees. The District has advised students of the exemptions from paying health fees and has procedures in place to ensure that students may claim the exemptions.

4. **Apportionment For Instructional Service Agreements/Contracts**

The District acted to ensure programs were approved by the State Chancellor's Office and courses were a part of those approved programs, or the College received delegated authority to separately approve those courses, courses were open to the public, students were under the immediate supervision of a District employee, the District employee possessed valid credentials or met minimum qualifications required for assignment, and the District must obtain certification verifying that the instructional activity was not fully funded by other sources.

5. **Residency Determination for Credit Courses**

The District acted to ensure that only the attendance of California residents is claimed for State support of credit classes.

6. **Concurrent Enrollment of K-12 Students**

The District acted to ensure that the attendance of K-12 pupils who attended courses offered by the District under the concurrent enrollment arrangement were claimed for apportionment purposes only if the following conditions were met: student secured parental consent and obtained his/her principal's recommendation, student was enrolled in a maximum of 11 units per semester, the course met the open course requirements, the credit course approval requirements, and the instructor supervision and qualification requirements, the District maintained primary right to control and direct activities of the instructor, courses were not fully funded through another source, for physical education courses no more than 10 percent of enrollment claimed per course section was comprised of special part-time or full-time students, no more than five percent of the District's total reported FTES of special part-time and full-time students were claimed for enrollment in physical education courses, and for summer sessions principals did not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the time of recommendation.

7. **Enrollment Fee**

The District reported the total amount of enrollment fees students should have paid for purposes of determining its annual share of apportionment.

8. **Students Actively Enrolled**

The District claimed 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 in the course section).

9. **Salaries of Classroom Instructors**

The District's salaries of classroom instructors exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.

10. **GANN Limit Calculation**

The District calculated appropriation limits and adopted them in public meetings.

11. **Uses of Matriculation Funds**

The District used local funds to support at least 75 percent of matriculation activities with the remaining expenditures claimable against the State matriculation allocation. All expenditures related to the allocation, both State and local funded portions, were consistent with the District's State-approved matriculation plan and identifiable within the ten claimable activities. The State matriculation allocation was used to expand levels of services that were in place in 1986-1987, or to add entirely new services.

12. **CalWORKS - Use of State and Federal TANF Funding**

The District expended CalWORKs Program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students.

13. Scheduled Maintenance Program

The District has protected the State's investment in community colleges through the timely repair and maintenance of facilities, correction and avoidance of health and safety hazards, maintenance of an environment conducive to learning, and improvement of the long-term cost effectiveness of facility operations. The District has expended for scheduled maintenance an amount in excess of the 1995-1996 base year amount of \$3,865,586 plus the amount claimed for reimbursement in the current year.

14. Child Development Program

The District has complied with contractual agreements regarding attendance, enrollment, and reporting for child development programs.

In our opinion, except for findings 10-2 through 10-5 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 the State programs listed and tested above for the year ended June 30, 2010. Furthermore, nothing came to our attention as a result of the 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.

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.

December 16, 2010

Eadie and Payne, LLP

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**REPORT ON COMPLIANCE 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 the compliance of San Bernardino Community College District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 the District's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Bernardino 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 on San Bernardino Community College District's compliance with those requirements.

In our opinion, the San Bernardino Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of San Bernardino Community College District is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our 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, 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.

December 16, 2010

Eadie and Payne, LLP

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITORS' RESULTS

This information is provided to meet the requirements of OMB Circular A-133.

Financial Statements

The auditors' report expresses an unqualified opinion on the financial statements of San Bernardino Community College District.

The audit disclosed significant deficiencies related to internal control over financial reporting.

The audit did not disclose any items of noncompliance that are material to the basic financial statements of the District.

State Awards

The auditors' report on compliance for the State award programs for San Bernardino Community College District expresses a qualified opinion. Audit findings that are required to be disclosed are reported in this schedule.

Federal Awards

The auditors' report on compliance for the major federal award programs for San Bernardino Community College District expresses an unqualified opinion on all major federal programs.

The audit did not disclose any material weaknesses or significant deficiencies related to internal control over major programs.

The following programs were tested as major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, and 84.007	Student Financial Aid Cluster
17.261	High Growth Job Training
84.042A	Student Support Services

The threshold used to distinguish between type A and type B programs was \$675,000.

The District was not determined to be a low-risk auditee.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

10-1 *Reference:* Student Accounts Receivable

Condition and Criteria: 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 in courses and were not dropped for nonpayment and/or were not being restricted from enrolling due to prior nonpayment. The following circumstances were noted:

- In one instance, a student with account balances was not dropped for nonpayment of fees.
- In one instance, 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.

A similar finding was noted in the prior year and reported as finding 09-3.

Effect: Students are enrolling in courses and not paying enrollment fees and tuition costs.

Cause:

- Procedures are not being followed to drop students for nonpayment of fees.
- The automatic computer hold is not effective if the student balances are greater than one semester past due.

Population and Items Tested: A sample of five items with a total balance of \$3,962 was selected for audit out of a population of approximately \$1,435,000. Of the sample selected:

- One account totaling \$1,617.50 was found to be for a student who was not dropped for nonpayment according to District policy.
- In addition, in one case a student had fees due for semesters in 2005-2006, the holds were effective during those terms; however, the holds did not prevent the students from enrolling in 2010.

Auditors' Recommendation: We recommend the following:

- 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.
- 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.

Grantee's Response: Admissions and Records and District Computing Services will work collectively to ensure the necessary holds are retained on students for any outstanding balances. The District will ensure that valid balances are processed in a proper format to collect upon and review internal control procedures to alleviate the retention of accounts receivable as related to student accounts.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
JUNE 30, 2010

10-2 *Reference:* California Work Opportunities and Responsibilities to Kids (CalWORKs)

Condition and Criteria: 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 purposes.

Effect: The District underreported students served and apportionment may be affected.

Cause: The students were not entered into the system and therefore not claimed for apportionment.

Auditors' Recommendation: We recommend that the District exercise oversight to determine if CalWORKS is being reported properly.

Grantee's Response: The District is in the process of reconfiguring the data for transmission to the State. We are anticipating the completion of this transmittal by mid-January 2011. The District will review the internal controls related to the gathering of all necessary data to ensure that none is missed in the future.

10-3 *Reference:* Child Development Program, Contract CSPP-9421

Condition and Criteria: 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.

Effect: We were unable to substantiate days of enrollment for the first quarter.

Cause: 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.

Population and Items Tested: 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.

Auditors' Recommendation: We recommend that all supporting documentation be kept in a secured area that is accessible only to authorized personnel.

Grantee's Response: The District will review internal controls related to the retention of the supporting documentation to ensure it is in line with the grant requirements as well as the District document retention policy. In addition, the District is exploring procedures of retaining all documentation electronically to prevent future loss.

10-4 *Reference:* Residency Determination for Credit Courses

Condition and Criteria: 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 allowed by statute and regulation. Student residence as of the residence determination date is a major factor for allowing districts to claim state apportionment for credit courses. Nonresidents are students who do not have legal residence in the state at the time of the residency 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 session 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.

Effect: The District overstated its FTES.

Cause: 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.

Population and Items Tested: Tested a sample 29 of the students coded as nonresidents two of which were claimed inappropriately on the 320 report.

Auditor's Recommendation: 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.

Grantee's Response: Admissions and Records staff have been reminded of the importance of proper retention of residency documentation. The utilization of the integrated system of managing applications and enrollment through CCC Apply has been reviewed to ensure that we are properly categorizing the residency status of students.

10-5 *Reference:* State General Apportionment

Condition and Criteria: 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.

Similar instances were identified in the prior year and reported as finding 09-4.

Effect: The District is not in compliance with State regulations to maintain supporting documentation.

Cause: The District's process of collecting instructor rosters does not include verification that all rosters have been collected. Also, the District's staff did not adhere to the proper retention process of the rosters once they had been collected.

Population and Items Tested: We tested six positive attendance courses from the CCFS 320 report, the original instructor's enrollment roster could not be located for one course.

Auditors' Recommendation: We recommend that the District implement controls to detect noncompliance and strengthen controls for record retention.

Grantee's Response: Admission and Records have implemented a process of imaging rosters and other documents upon receiving them into their department. A&R will continue to discuss this issue with the divisional administrative staff to provide information and training as needed to ensure all positive attendance rosters are collected and retained. A&R will ensure that rosters are accounted for, with additional follow up as necessary, each semester.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

09-1 *Reference:* Capital Assets

Condition and Criteria: A capital asset ledger is maintained by the District for inventory tracking and financial reporting purposes. However, we noted instances where capital asset acquisitions were not properly capitalized, improper class lives were assigned, items were not properly included in furniture and equipment, and related asset costs including tax, freight, and discounts were not properly included in capitalized assets. A similar instance was reported in the prior year as finding 08-4.

Effect: The District capital asset ledger was not complete and accurate at year-end.

Cause: Failure to follow District policies and procedures, improper training and ineffective monitoring.

Population and Items Tested: A sample of \$16,008,742 of capital expenditures were selected for audit out of a population of \$49,301,927. The following instances of improper capitalization were noted during testing. For 16 items tested, incidental costs including tax, freight, discounts, and installation costs totaling \$67,851 were not capitalized with the respective asset. It appears that if more than one item is included on an invoice, the item is not properly accounted for in the fixed assets ledger. Wireless network project costs of \$130,309 were improperly classified in building improvements and were not included in the capital asset ledger. Costs related to a backup computer system totaling \$350,821 were not properly included in construction in progress as of year-end. Two identical assets were capitalized at a cost of \$9,517, each with one being properly depreciated over three years and the other improperly over eight years.

Auditor's Recommendation: We recommend that District employees responsible for recording capital assets and construction in progress be reminded of the proper procedures to ensure that the system is maintained properly. It is also recommended that the District employ clear written policy instructions and receive additional training concerning their implementation.

Grantee's Response: Upon notification of the errors, the District took corrective action on each of the findings noted and as a result, corrected figures were used to prepare the financial statements. The District will continue to hold training sessions with staff on administrative procedures and the appropriate use of the asset-tracking software. The District will investigate the possibility of programming the computer tracking system to reject inconsistent data or records with missing information. The District has also developed a procedure to review all financial transactions and identify each eligible asset to ensure data is entered into the fixed-assets system correctly and timely.

Current Status: No exceptions noted in the current year.

09-2 *Reference:* Purchase Orders - Matriculation, VATEA and HSI

Condition and Criteria: The District policy is that approved purchase orders must be obtained prior to the purchase of goods and services. During our audit we noted five instances where a purchase orders were approved after the purchase of goods and services had been made. Similar instances were identified in the prior year and reported as finding 08-7.

Effect: Goods and services were purchased without the proper approval.

Cause: A purchase requisition had been submitted; however, the goods and services were purchased before the purchase order was approved by the department director and the District.

Auditor's Recommendation: The employees responsible for purchasing goods and services should be reminded of District purchasing policies.

Grantee's Response: Per Administrative Regulation 6330, the procurement of goods or services must be made through the Purchasing Department and upon final approval by the Business Manager or other designated signer. In order to reduce or eliminate the instances noted, the Purchasing Department has implemented a regular employee training and education program where workshops are held quarterly to inform employees of proper purchasing procedures. The District will continue to enforce its procedure of requiring an audit exception letter to be written by the employee who violates the regulation.

Current Status: A single instance was noted in the current year and was discussed in the management letter.

09-3 *Reference:* Student Accounts Receivable

Condition and Criteria: 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, students that do not pay enrollment fees within given time period will be dropped for nonpayment. During the audit, we noted various cases where students enrolled in courses were not dropped for nonpayment and/or were not being restricted from enrolling due to prior nonpayment. The following circumstances were noted:

- In four instances, students with account balances were not dropped for nonpayment of fees.
- In two of the four instances, an account hold was only effective the first semester and the student was allowed to enroll in the subsequent semester with an existing account balance.

Similar instances were noted in the prior year and reported as finding 08-3.

Effect: Students are enrolling in courses and not paying enrollment fees and tuition costs.

Cause:

- Procedures are not being followed to drop students for nonpayment of fees.
- The automatic computer hold is not effective if the student balances are greater than one semester past due.

Population and Items Tested: A sample of five items with a total balance of \$1,420 was selected for audit from current-year additions to student receivables. Of the sample selected:

- Two accounts totaling \$855.50 were found to be for students who were not dropped for nonpayment according to District policy.
- Two students selected for testing that had outstanding fees from previous semesters were allowed to register for classes during the current fiscal year. One student's fees were for classes taken in the Fall of 2001 and the other fees were from the Fall of 2003. The District's virtual hold system did not prevent the students from enrolling in Fall 2008 or Spring 2009.

Auditors' Recommendation: We recommend the following:

- 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.
- We recommend that the District review their computer controls for weaknesses that allow students to enroll in courses when prior debts have not been paid.

Grantee's Response: Admission and Records and District Computing Services will work collectively to determine why the student holds are expiring in the computer system and implement controls to prevent future occurrences. DCS and A&R will continue to examine the DREG process to ensure compliance with District policies.

Current-year status: Exceptions noted in the current year. See finding 10-1.

09-4 *Reference:* State General Apportionment

Condition and Criteria: 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. Two original positive attendance instructor enrollment sheets could not be located and hours on one attendance roster were incorrectly entered. Similar instances were noted in the prior year and reported as finding 08-8.

Effect: The District is not in compliance with State regulations to maintain supporting documentation and accurate information was not used in the calculation of State General Apportionment.

Cause: The District's process of collecting instructor rosters does not include verification that all rosters have been collected. Also, the District's staff did not adhere to the proper retention process of the rosters once they had been collected. In addition, the District's staff incorrectly entered clock hours rather than contact hours for one roster.

Population and Items Tested: We tested six positive attendance courses from the CCFS 320 report, of which two original instructor's enrollment rosters could not be located and incorrect hours were entered on one roster.

Auditors' Recommendation: We recommend that the District implement controls to detect non-compliance, strengthen controls for record retention and strengthen controls for proper recording of positive attendance hours.

Grantee's Response: Admissions and Records have begun a process of imaging rosters and other documents upon receiving them into the department. This will allow for greater accountability and assist in the retrieval of these documents. A&R will continue to discuss this issue with the divisional administrative staff to provide information and training as needed to ensure all positive attendance rosters are collected and retained. A&R staff has begun and will continue to reconcile a missing rosters report and will contact the divisions that have delinquent rosters at the end of each term.

Current Status: Exceptions noted in the current year. See finding 10-5.

09-5 *Reference:* Residency Determination for Credit Courses

Condition and Criteria: 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 allowed by statute and regulation. Student residency as of the residency determination date is a major factor for allowing districts to claim state apportionment for credit courses. Nonresidents are students who do not have legal residency in the state at the time of the residency determination date and, therefore, must be charged nonresident fees and whose attendance is not allowed to be claimed for state apportionment. The residency determination date is that day immediately preceding the opening day of instruction of the quarter, semester, or other session 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 whose residency status could not be verified. A similar finding was reported in the prior year as finding 08-13.

Effect: The District overstated the FTES by .18 with respect to two of the students tested. It was also noted that the District may not be in compliance and apportionment may be effected. We were unable to perform audit procedures to determine the residency status for certain students at Crafton Hills College and Valley College.

Cause: Students were determined to be nonresidents at the beginning of the Fall and Spring terms and paid the applicable nonresident fees. During the Fall and Spring terms, the students registered for subsequent terms and changed their residency status to resident; they paid the appropriate resident tuition. However, for 320 purposes, the system did not pull the residency as of the residency determination date; therefore, the students were inappropriately claimed for the fall and spring terms. It was also noted that Crafton Hills College is currently in the process of making student documents paperless. Multiple student documents could not be located due to the movement of documents and the failure to return the documents to the student files. At Valley College, the employee normally responsible for the retention of documentation was not available and a substitute employee was unable to locate documentation for two students.

Population and Items Tested: Tested 54 students. Residency determination forms could not be located for four students from Crafton Hills College and two students from San Bernardino Valley College. Additionally, of the 54 students tested, 28 students coded as nonresidents were tested to determine proper classification on the 320 report. Two were inappropriately claimed.

Auditor's Recommendation: We recommend that the District remind staff to consistently file and return student documents to the students' files in a timely manner so that the risk of misplacing a student document can be minimized. We also recommend that data collection for 320 reporting be reviewed and revised so that student residency status is collected properly and attendance is reported correctly.

Grantee's Response: Admissions and Records staff will be reminded of the importance of proper retention of residency documentation. The A&R offices have begun using an integrated system of managing applications and enrollment called CCC Apply, which will add accountability in determining and documenting residency.

Current Status: No finding noted in the current year.

09-6 *Reference:* Apportionment for Instructional Service Agreements/Contracts

Condition and Criteria: The California Code of Regulations, Title 5, Sections 58050, 58051(a) (1), (c)-(g), 58051.5, 58055, 58056, 58058(b), 58060, and 58100-58106 require that appropriate instructional service agreements exist. In the year under audit, we noted one instructional service agreement that was not finalized prior to the commencement of instruction.

Effect: The state apportionment may be in error. Total of 9.19 FTES claimed for the courses.

Cause: The Sheriff's Department signed the contract on July 25, 2008, the District signed it on August 5, 2008 and the County of San Bernardino did not sign the contract until August 12, 2008. The courses began July 14, 2008 and July 22, 2008.

Auditor's Recommendation: We recommend that the District implement a procedure to ensure that contracts are finalized prior to the commencement of instruction.

Grantee's Response: The Criminal Justice Division has been advised of the need to have Instructional Service Agreements in place prior to the start of instruction. The District continues to work closely with the County of San Bernardino in order to provide for adequate lead time to get agreements signed in a timely matter.

Current Status: No finding noted in the current year.

09-7 *Reference:* Concurrent Enrollment of K-12 Students in Community College Credit Courses

Condition and Criteria: The California Educational Code Sections 48800(A), 48800.5, and 76001(d) requires that the District obtain verification from the K-12 school district that the student can benefit from advanced scholastic or vocational work. The campuses utilize a Special Student Attendance Form to obtain these verifications and to approve or deny enrollment. Special-admit students were allowed to enroll without an approved form. The District was not able to locate special-admit forms for eight students selected for testing. Similar instances were noted in the prior-year finding 08-12.

Effect: High school students that do not qualify for attendance may be allowed to enroll. The District may not be in compliance with State regulations and apportionment may be affected.

Cause: The District does not have procedures in place to ensure that Special Student Attendance Forms are obtained from all special-admit students.

Population and Items Tested: Haphazardly Selected 50 students, of which 47 were special-admit students. Special-admit forms for eight students enrolled in classes were not available.

Auditors' Recommendation: We recommend that the District remind responsible employees in the admissions and records' offices that special-admit students should be enrolled in classes unless all required information is complete on the attendance approval forms. We also recommend that the admissions and records' offices implement procedures to ensure special-admit students submit required documentation prior to enrollment and that this information be filed appropriately to support District records.

Grantee's Response: Admissions and Records staff has been advised of the procedures to qualify and register special-admit students and the importance of proper collection and retention of approval documentation. Both A&R directors will continue to monitor proper collection and usage of the approval form and train their staff as needed.

Current Status: No exceptions noted in the current year.

09-8 *Reference:* Concurrent Enrollment of K-12 Students in Community College Credit Courses

Condition and Criteria: The California Education Code Sections 48800, 48800(d), 76001(i), and 76002(a) (4) require the following:

- (i) For summer sessions, K-12 principals may not recommend more than five percent of the number of pupils who have completed a particular grade immediately prior to the time of recommendation;
- (ii) If the class is a physical education class, no more than ten percent of the course section's enrollment may be claimed for apportionment for special part-time or full-time students; and
- (iii) A community college district may not receive State apportionment for part-time and full-time students enrolled in physical education courses in excess of five percent of the district's total reported FTES of special part-time and full-time students.

Similar instances were noted in the prior-year finding 08-11.

Effect: The District may not be in compliance with State regulations and apportionment may be affected. We were unable to perform audit procedures on items (ii) and (iii) due to the District not having accurate enrollment data. We were unable to perform audit procedures for item (i) due to the District not having supporting documentation for the entire sample selected.

Cause: The District does not have procedures in place to ensure that Special Student Attendance Forms are obtained for all special-admit students.

Population and Items Tested: Haphazardly Selected 50 students, of which 47 were special-admit students. Special-admit forms for eight students enrolled in classes were not available. Since referential file data is used by the District to calculate the limitations in (ii) and (iii) above, those calculations could not be relied on.

Auditors' Recommendation: We recommend that the District remind responsible employees in the admissions and records' offices that special-admit students should be enrolled in classes unless all required information is complete on the attendance approval forms. We also recommend that the admissions and records' offices implement procedures to ensure special-admit students submit required documentation prior to enrollment and that this information be filed appropriately to support District records.

Grantee's Response: District Computing Services, in collaboration with the A&R departments at CHC and SBVC, have implemented a change in procedure to ensure a special-admit student cannot register for any class in any term unless that class has been pre-approved in the registrar's office. This pre-approval requires that the registrar enter a specific class in an electronic form on the student information system prior to registration. This effectively mandates that the proper forms are completed to the extent necessary for data entry so the classes can be pre-approved and entered prior to student registration.

Current Status: No finding noted in the current year.

09-9 *Reference:* California Work Opportunities and Responsibilities to Kids (CalWORKs)

Condition and Criteria: The District is required to expend CalWORKs Program and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKs students. Eligible students are defined by the 2007-2008 CalWORKs Program Handbook as ones in good standing at the college and are either:

In order to establish good standing, a college must verify student eligibility for services once at the beginning of each semester. To be in good standing, a student must be meeting county CalWORKs participation requirements and not be sanctioned by the County Welfare Department for failing to meet their requirements. The District was unable to provide documentation proving that a student was in good standing.

Effect: The District may not be in compliance with State and Federal regulations and apportionment may be affected.

Cause: Unknown, information was unable to be obtained.

Population and Items Tested: Out of a sample of 28 students tested for eligibility, the District was unable to provide documentation for one student. The amount of funds spent on this student could not be determined.

Auditors' Recommendation: We recommend that the District require approval before entering student information to ensure that only eligible students are receiving services from CalWORKs.

Grantee's Response: The reason for the miscoded referential data file appears to be a data entry error. The student did not receive any services during Summer 2008 and the CalWORKS program did not intend to serve the student during the term in question. To avoid this type of error, CalWORKS department staff will reconcile their list of eligible CalWORKS students with the referential data file.

Current Status: No finding noted in the current year.