SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2015

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FINANCIAL SECTION

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of San Bernardino Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 11, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 64, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 65, and the Schedule of District Contributions on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by (U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 20, 2015

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USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of San Bernardino Community College District (the District) as of June 30, 2015. The report consists of three basic financial statements: the Statement of Financial Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

San Bernardino Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and No. 35, *Basic Financial Statements - and Management Discussion and Analysis - for Public College and Universities.* These statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is apportionment received from the State of California. The District's apportionment amount is determined by the number and size of colleges in the District and the number of Full-Time Equivalent Students (FTES). In fiscal year 2014-2015, the District continued to increase access to classes and restored 97 percent of the fiscal year 2010-2011 student enrollment. The District FTES for the year ended June 30, 2015, increased 2.2 percent over the prior year as noted below and plans to return to previous enrollment levels within the next two years.

	Year Ended June 30		
	2015	**2014**	**Change**
San Bernardino Valley College	10,117	9,902	2.2%
Crafton Hills College	4,600	4,499	2.2%
San Bernardino Community College District	14,717	14,401	2.2%

- During the year ended June 30, 2015, the District endeavored to fill various vacant employee positions across the District and improved staffing levels by 6.3 percent over the prior year as noted below.

	Year Ended June 30		
	2015	2014	Change
Administrators	92	84	9.5%
Faculty	243	220	10.5%
Classified	403	390	3.3%
Total	738	694	6.3%

- The District continues to monitor compliance with the 50 percent law, which requires that at least 50 percent of the current expense of education be spent on instructional salaries. At year ended June 30, 2015, the District had a rate of 50.23 percent.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position 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 method used by most private-sector organizations. The Statement of Net Position 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 Position primarily presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities).

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

The difference between the sum of total assets plus deferred outflows of resources and total liabilities (net position) is one indicator of the current financial condition of the District; another indicator is the change in net position which shows 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 an allocation for depreciation expense.

The Net Position is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted assets; these 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 position that is available to the District for any lawful purpose of the District.

The Statement of Net Position as of June 30, 2015 and June 30, 2014, is summarized below.

(Amounts in thousands)

	2015	2014* (as restated)
ASSETS		
Current Assets		
Cash and investments	$ 184,718	$ 243,216
Accounts receivable (net)	6,740	12,952
Other current assets	1,331	1,157
Total Current Assets	192,789	257,325
Net OPEB Assets	4,234	4,605
Capital Assets (net)	470,098	410,041
Total Assets	667,121	671,971
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	23,612	34,947
Current year pension contribution	5,893	4,672
Total Deferred Outflows of Resources	29,505	39,619
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	36,357	33,152
Current portion of long-term debt	7,502	6,782
Total Current Liabilities	43,859	39,934
Long-Term Obligations	565,803	582,241
Total Liabilities	609,662	622,175
DEFERRED INFLOWS OF RESOURCES		
Difference between projected and actual earnings on pension plan investments	16,600	-
NET POSITION		
Net investment in capital assets	54,980	64,893
Restricted	40,132	41,511
Unrestricted	(24,748)	(16,989)
Total Net Position	70,364	89,415
Total Liabilities and Net Position	$ 680,026	$ 711,590

*As restated. See Note 15 for more information.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not by the District; the operating and nonoperating expense incurred, whether paid or not by the District; and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

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

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2015 and June 30, 2014, is summarized below.

(Amounts in thousands)

	2015	2014
Operating Revenues		
Tuition and fees	$ 6,545	$ 6,222
Auxiliary sales and charges	4,549	4,316
Total Operating Revenues	11,094	10,538
Operating Expenses		
Salaries and benefits	86,009	77,392
Supplies and maintenance	27,832	26,856
Student financial aid	27,425	27,397
Depreciation	15,159	15,311
Total Operating Expenses	156,425	146,956
Loss on Operations	(145,331)	(136,418)
Nonoperating Revenues		
State apportionments	55,259	45,922
Property taxes	42,590	43,944
Grants and contracts	46,550	41,560
State revenues	4,338	3,031
Net interest expense	(31,180)	(30,059)
Other nonoperating revenues	7,054	9,207
Total Nonoperating Revenue	124,611	113,605
Other Revenues		
State and local capital income	1,670	1,958
Net Change in Net Position	$ (19,050)	$ (20,855)

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Year ended June 30, 2015:

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 32,117	$ 6,803	$ 1,427	$ 507	$ -	$ -	$ 40,854
Academic support	4,407	1,609	302	106	-	-	6,424
Student services	8,239	2,343	1,123	132	-	-	11,837
Plant operations and maintenance	3,036	1,525	2,381	207	-	-	7,149
Instructional support services	9,651	5,383	9,828	1,632	-	-	26,494
Community services and economic development	2,506	868	1,942	33	-	-	5,349
Ancillary services and auxiliary operations	5,324	2,055	6,590	75	-	-	14,044
Student aid	-	-	-	-	27,425	-	27,425
Physical property and related acquisitions	107	36	1,351	196	-	-	1,690
Unallocated depreciation	-	-	-	-	-	15,159	15,159
Total	$ 65,387	$ 20,622	$ 24,944	$ 2,888	$ 27,425	$ 15,159	$ 156,425

Statement of Cash Flows

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

The Statement of Cash Flows reports cash provided by or used in the following activities:

- Operating - consists of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.

- Noncapital financing - primarily State apportionment and property taxes.

- Capital financing - purchase of capital assets (land, buildings, and equipment) and bond interest payments and receipts from Federal and State grants for capital purposes, as well as property tax revenue for bond repayments.

- Investing - consists of investment activities and earnings on those investments.

The Statement of Cash Flows for the years ended June 30, 2015 and June 30, 2014, is summarized below.

(Amounts in thousands)

	2015	2014
Cash Provided by (Used in)		
Operating activities	$ (127,049)	$ (129,203)
Noncapital financing activities	137,553	131,294
Capital financing activities	(69,298)	(25,865)
Investing activities	48,955	3,086
Net Decrease in Cash	(9,839)	(20,688)
Cash, Beginning of Year	99,773	120,461
Cash, End of Year	$ 89,934	$ 99,773

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had $582.5 million in capital assets, less $112.4 million accumulated depreciation for net capital assets of $470.1 million. The District continues to work on the facilities projects that are part of the $450 million bond master plan. The District spent approximately $75.3 million on capital assets during the year, the majority of which relate to bond proceeds. Depreciation charges during the year totaled $15.2 million. Note 5 in the financial statements provides additional information on capital assets.

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 71,496	$ 73,375	$ (34,375)	$ 110,496
Buildings and improvements	411,385	34,831	-	446,216
Furniture and equipment	24,739	1,385	(332)	25,792
Subtotal	507,620	109,591	(34,707)	582,504
Accumulated depreciation	(97,579)	(15,159)	332	(112,406)
	$ 410,041	$ 94,432	$ (34,375)	$ 470,098

Obligations

As of June 30, 2015, the District had $573.3 million in debt consisting of $509.5 million from general obligation bonds, $58.0 million from pension obligation, $0.3 million from community service grant payable, $2.6 million from compensated absences, and $2.9 million claims liability.

Details including the type, interest rates, and maturities of the general obligation bonds are found in Note 9.

(Amounts in thousands)

	Balance Beginning of Year (as restated)	Additions	Deletions	Balance End of Year
General obligation bonds	$ 509,665	$ 8,536	$ (8,663)	$ 509,538
Compensated absences	2,304	283	-	2,587
Claims liability	2,920	-	-	2,920
Community service grant payable	-	328	-	328
Aggregate pension liability	74,134	-	(16,202)	57,932
Total Long-Term Debt	$ 589,023	$ 9,147	$ (24,865)	$ 573,305
Amount due within one year				$ 7,502

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

The financial position of San Bernardino Community College District is closely tied to that of the State of California. The District receives over 75 percent of its combined general fund revenues through State apportionments and local property taxes. These two sources, along with allocations from the Education Protection Account, redevelopment allocations, and student paid enrollment fees, essentially make up the District's general apportionment, the main funding support for California community colleges.

Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Vice Chancellor, Business and Fiscal Services, at San Bernardino Community College District, 114 South Del Rosa Drive, San Bernardino, California 92408.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 769,465
Investments	183,948,323
Accounts receivable, net	5,953,933
Student loans receivable, net	786,155
Due from fiduciary funds	75,582
Prepaid expenses	196,366
Inventories	1,057,621
Other current assets	1,750
Total Current Assets	192,789,195
Noncurrent Assets	
Net OPEB assets	4,233,769
Nondepreciable capital assets	110,496,158
Depreciable capital assets, net of depreciation	359,601,942
Total Noncurrent Assets	474,331,869
TOTAL ASSETS	667,121,064
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	23,612,674
Current year pension contribution	5,892,825
Total Deferred Outflows of Resources	29,505,499
LIABILITIES	
Current Liabilities	
Accounts payable	22,951,654
Accrued interest payable	7,324,126
Due to fiduciary funds	230,630
Unearned revenue	5,850,330
Bonds payable - current portion	7,393,097
Community service grant payable - current portion	109,374
Total Current Liabilities	43,859,211
Noncurrent Liabilities	
Compensated absences payable	2,587,344
Bonds payable - noncurrent portion	502,144,656
Claims liability	2,920,000
Community service grant payable - noncurrent portion	218,746
Aggregate net pension obligation	57,932,090
Total Noncurrent Liabilities	565,802,836
TOTAL LIABILITIES	609,662,047
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	16,599,939

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

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT, CONTINUED
JUNE 30, 2015

NET POSITION	
Net investment in capital assets	$ 54,979,644
Restricted for:	
Debt service	28,793,393
Capital projects	11,552,264
Unrestricted	(24,960,724)
TOTAL NET POSITION	$ 70,364,577

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Student Tuition and Fees	$ 19,990,165
Less: Scholarship discount and allowance	(13,445,022)
Net tuition and fees	6,545,143
Auxiliary Enterprise Sales and Charges	
Bookstore	3,845,397
Cafeteria	703,490
TOTAL OPERATING REVENUES	11,094,030
OPERATING EXPENSES	
Salaries	65,386,639
Employee benefits	20,622,531
Supplies, materials, and other operating expenses and services	24,944,383
Equipment, maintenance, and repairs	2,888,010
Student financial aid	27,424,651
Depreciation	15,158,868
TOTAL OPERATING EXPENSES	156,425,082
OPERATING LOSS	(145,331,052)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	55,259,312
Local property taxes, levied for general purposes	18,163,906
Taxes levied for other specific purposes	24,426,035
Federal grants	29,828,773
State grants	16,721,550
State taxes and other revenues	4,101,136
Investment income	236,526
Interest expense on capital related debt	(31,269,048)
Investment income on capital asset-related debt, net	88,153
Transfer to fiduciary fund	(60,800)
Other nonoperating revenue	7,114,899
TOTAL NONOPERATING REVENUES (EXPENSES)	124,610,442
LOSS BEFORE OTHER REVENUES	(20,720,610)
State revenues, capital	403,706
Local revenues, capital	1,266,439
TOTAL OTHER REVENUES	1,670,145
CHANGE IN NET POSITION	(19,050,465)
BEGINNING FUND BALANCE, AS RESTATED (See Note 15)	89,415,042
NET POSITION, END OF YEAR	$ 70,364,577

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 6,554,444
Payments to or on behalf of employees	(87,904,705)
Payments to vendors for supplies and services	(22,823,436)
Payments to students for scholarships and grants	(27,424,651)
Auxiliary enterprise sales and charges	4,548,887
Net Cash Flows From Operating Activities	(127,049,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	62,697,183
Grant and contracts	29,448,755
Property taxes	18,163,906
State taxes and other apportionments	21,159,572
Other nonoperating	6,083,767
Net Cash Flows From Noncapital Financing Activities	137,553,183
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(75,336,031)
State revenue, capital projects	403,706
Local revenue, capital projects	1,266,439
Property taxes - related to capital debt	24,426,035
Principal paid on capital debt	(8,663,165)
Interest paid on capital debt	(11,483,056)
Interest received on capital asset-related debt	88,153
Net Cash Flows From Capital Financing Activities	(69,297,919)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	48,659,274
Interest received from investments	295,509
Net Cash Flows From Investing Activities	48,954,783
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,839,414)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,773,032
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 89,933,618

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (145,331,052)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	15,158,868
Changes in Assets, Liabilities, Deferred Inflows and Deferred Outflows of Resources:	
Receivables	9,301
Inventories	(46,604)
Prepaid expenses	(59,933)
Accounts payable and accrued liabilities	2,601,960
Unearned revenue	458,946
Current year pension contribution	(1,220,942)
Compensated absences	282,682
Community service grant payable	328,120
Net OPEB assets	371,332
Difference between projected and actual earnings on pension plan investments	16,599,939
Aggregate net pension obligation	(16,202,078)
Total Adjustments	18,281,591
Net Cash Flows From Operating Activities	$ (127,049,461)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 769,465
Cash in county treasury	89,164,153
Total Cash and Cash Equivalents	$ 89,933,618

NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 1,545,690

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 392,024	$ 272,002
Investments	9,096,132	-
Accounts receivable	3,042	70
Due from primary government	230,630	-
Prepaid expenses	45,636	-
Other current assets	17,062	-
Total Assets	9,784,526	$ 272,072
LIABILITIES		
Accounts payable	179,536	$ 5,581
Due to primary government	75,582	-
Unearned revenue	13,126	-
Due to student groups	-	266,491
Total Liabilities	268,244	$ 272,072
NET POSITION		
Unreserved	9,516,282	
Total Net Position	$ 9,516,282	

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Trust
ADDITIONS	
Local revenues	$ 2,676,908
DEDUCTIONS	
Classified salaries	473,897
Employee benefits	135,200
Services and operating expenditures	2,358,187
Capital outlay	18,880
Total Deductions	2,986,164
OTHER FINANCING SOURCES (USES)	
Transfer from primary government	60,800
Other uses	(170,287)
Total Other Financing Sources (Uses)	(109,487)
Change in Net Position	(418,743)
Net Position - Beginning, as restated (See Note 15)	9,935,025
Net Position - Ending	$ 9,516,282

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

NOTE 1 - ORGANIZATION

San Bernardino Community College District (the District) was established in 1926 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges, a Professional Development Center, and a television and radio station located within San Bernardino County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity,* to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government, the District, and the following component units:

- KVCR Educational Foundation, Inc.

  The KVCR Educational Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide funding support to KVCR-TV/FM, a wholly owned broadcasting affiliate of the District. Although the District does not control the timing or amount of receipts, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District with the inclusion of the statements as a blended component unit.

Condensed Statement of Net Position

The Foundation is a not-for-profit organization under Internal Revenue Code (IRC) Section 501(c)(3) that reports its financial results in accordance with Financial Accounting Standards Codifications. As such, certain revenue recognition criteria and presentation features have been accounted for within this report using GASB revenue recognition criteria and presentation features.

- Economic Development and Corporate Training Foundation

  The Economic Development and Corporate Training Foundation (EDCT Foundation) is a legally separate, tax-exempt component unit of the District. The EDCT Foundation's primary focus is to develop resources and philanthropic support for the advancement of the economic and workforce development and student success efforts of the San Bernardino Community College District. Because of the types of activities and the restricted resources held by the EDTC Foundation can only be used by, or for the benefit of, the District, the EDTC Foundation is considered a component unit of the District with the inclusion of the statements as a blended component unit.

Complete financial statements for the Foundation and the EDTC Foundation can be obtained from the District's Business Office. Condensed component unit information for the Foundation and the EDTC Foundation, the District's blended component units, for the year ended June 30, 2015, is as follows:

Condensed Statement of Net Position

	KVCR Educational Foundation	Economic Development and Corporate Training Foundation
ASSETS		
Total Assets	$ 970,395	$ 47,478
LIABILITIES		
Total Liabilities	227,238	4,792
NET POSITION		
Total Net Position	$ 743,157	$ 42,686

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	KVCR Educational Foundation	Economic Development and Corporate Training Foundation
REVENUES		
Total Revenues	$ 2,034,660	$ 58
EXPENSES		
Total Expenditures	2,475,286	18,172
Transfer from primary government	-	60,800
CHANGE IN NET POSITION	(440,626)	(18,114)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	1,183,783	-
NET POSITION, END OF YEAR	$ 743,157	$ 42,686

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2015, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $130,704 for the year ended June 30, 2015.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the lower of cost or market. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 for machinery and equipment and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than $25,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 25 to 50 years; equipment, 5 to 10 years.

Accrued Liabilities and Long-Term Obligations

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

Bond Premiums and Discounts

Debt premiums and discounts are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the remaining life of the new debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charges on the refunding of the general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds, compensated absences, and claims payable with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report $40,345,657 of restricted net position.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in November 2002 and February 2008 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Board of Governors Grants (BOGG) and Fee Waivers

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to CalSTRS on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2015, was $1,545,690 for CalSTRS. These amounts are reflected in the District's audited financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of State and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled, and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or non-employer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $69,462,285. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, consist of the following:

Primary government	$ 184,717,788
Fiduciary funds	9,760,158
Total Deposits and Investments	$ 194,477,946

Cash on hand and in banks	$ 1,370,591
Cash in revolving	62,900
Investments	193,044,455
Total Deposits and Investments	$ 194,477,946

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment pool and various short-term securities.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity
San Bernardino County Investment Pool	$ 90,949,735	$ 91,007,942	344
Short-Term Securities	94,676,694	94,676,694	N/A
Fixed Income	4,069,175	4,069,175	N/A
Equities	3,241,375	3,241,375	N/A
Certificate of Deposits	107,476	107,476	N/A
Total	$ 193,044,455	$ 193,102,662	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment pool is rated at AAA/VI by Fitch Ratings agency. All other investments are not required to be rated, nor have they been rated as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of $1,400,121 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,501,762	$ -
State Government		
Categorical aid	1,045,251	-
Lottery	1,270,794	-
Local Sources		
Interest	46,905	-
Other local sources	2,089,221	3,112
Total	$ 5,953,933	$ 3,112

Student receivables	$ 916,859
Less allowance for bad debt	(130,704)
Student receivables, net	$ 786,155

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 4,518,454	$ -	$ -	$ 4,518,454
Construction in progress	66,977,603	73,374,666	34,374,565	105,977,704
Total Capital Assets Not Being Depreciated	71,496,057	73,374,666	34,374,565	110,496,158
Capital Assets Being Depreciated				
Land improvements	72,449,257	3,718,036	-	76,167,293
Buildings and improvements	338,935,451	31,113,221	-	370,048,672
Furniture and equipment	24,738,752	1,385,465	331,751	25,792,466
Total Capital Assets Being Depreciated	436,123,460	36,216,722	331,751	472,008,431
Total Capital Assets	507,619,517	109,591,388	34,706,316	582,504,589
Less Accumulated Depreciation				
Land improvements	27,193,016	6,627,977	-	33,820,993
Buildings and improvements	50,874,386	6,629,689	-	57,504,075
Furniture and equipment	19,511,231	1,901,202	331,012	21,081,421
Total Accumulated Depreciation	97,578,633	15,158,868	331,012	112,406,489
Net Capital Assets	$ 410,040,884	$ 94,432,520	$ 34,375,304	$ 470,098,100

Depreciation expense for the year was $15,158,868.

Interest expense on capital related debt for the year ended June 30, 2015, was $34,774,313. Of this amount, $3,505,265 was capitalized.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 2,493,497	$ -
Apportionment	2,855,251	-
Construction	11,551,141	-
Other	6,051,765	185,117
Total	$ 22,951,654	$ 185,117

NOTE 7 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 55,425	$ -
State categorical aid	4,145,258	-
Enrollment fees	715,497	-
Other local	934,150	13,126
Total	$ 5,850,330	$ 13,126

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the Primary Government and the Fiduciary Funds are not eliminated in the consolidation process. As of June 30, 2015, the amount owed to the Fiduciary Funds from the Primary Government was $230,630, and the amount owed to Primary government from the fiduciary was $75,582.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the Fiduciary Funds are not eliminated in the consolidation process. During the 2015 fiscal year, the Primary Government transferred $60,800 to the Fiduciary Funds.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2015 fiscal year consisted of the following:

	*Balance Beginning of Year (as restated)	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
Election 2002 Series B	$ 385,000	$ -	$ 385,000	$ -	$ -
Election 2002 Series C	58,390,000	-	-	58,390,000	-
Election 2002 Series D	7,026,237	541,369	-	7,567,606	-
Election 2002 Series E	15,000,000	-	-	15,000,000	-
Subtotal Election 2002	80,801,237	541,369	385,000	80,957,606	-
2005 GO Refunding Bonds	16,563,466	736,466	3,455,000	13,844,932	4,030,000
Election 2008 Series A	7,005,000	-	540,000	6,465,000	935,000
Election 2008 Series B	100,078,046	7,258,210	631,848	106,704,408	633,097
Election 2008 Series C	45,210,000	-	-	45,210,000	-
Subtotal Election 2008	152,293,046	7,258,210	1,171,848	158,379,408	1,568,097
2013 GO Refunding Bonds Series A	195,545,000	-	1,175,000	194,370,000	1,195,000
2013 GO Refunding Bonds Series B	31,930,000	-	595,000	31,335,000	600,000
Premium on debt	32,532,124	-	1,881,317	30,650,807	-
Total Bonds Payable	509,664,873	8,536,045	8,663,165	509,537,753	7,393,097
Other Liabilities					
Community service grant payable	-	328,120	-	328,120	109,374
Compensated absences	2,304,662	282,682	-	2,587,344	-
Claims liabilities	2,920,000	-	-	2,920,000	-
Aggregate net pension obligation	74,134,168	-	16,202,078	57,932,090	-
Total Other Liabilities	79,358,830	610,802	16,202,078	63,767,554	109,374
Total Long-Term Obligations	$ 589,023,703	$ 9,146,847	$ 24,865,243	$ 573,305,307	$ 7,502,471

*As restated. See Note 15 for description of restatement.

Description of Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. Workers' compensation claims liability is an estimate based on an actuarial study completed by a third party specialist. Actual claims paid will be made from the Self-Insurance Fund. Management is responsible to evaluate the adequacy of the change in value. The compensated absences will be paid by the fund for which the employee worked. Pension expense related to the Aggregate net pension obligation will be paid by the fund for which the employee worked. The community service grant payable is for the overpayment of grant monies received from the Corporation for Public Broadcasting. The community service grant payable will be paid from the KVCR Special Revenue Fund as a reduction in future grants. The obligation is expected to be met in fiscal year 2018. See Note 12 for further details of the Aggregate net pension obligation.

Bonded Debt

The San Bernardino Community College District Election of 2002

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was $190,000,000. As of June 30, 2015, $189,999,797 had been issued, and $80,957,606 was outstanding. Interest rates on the bonds range from 2.25 to 7.63 percent.

The San Bernardino Community College District 2005 Refunding Bonds

In April 2005, the District issued $56,562,550 in general obligation bonds to advance refund a portion of 2002 Series A and B Bonds. Interest rates on the bonds range from 3.00 to 5.14 percent. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. As of June 30, 2015, the outstanding balance was $13,844,932.

The San Bernardino Community College District Election of 2008

General obligation bonds were approved by a local election in November 2008. The total amount approved by the voters was $500,000,000. As of June 30, 2015, $258,312,389 had been issued, and $158,379,408 was outstanding. Interest rates on the bonds range from 2.60 to 7.63 percent.

The San Bernardino Community College District 2013 Refunding Bonds

In April 2013, the District issued 2013 General Obligation Series A Refunding Bonds and 2013 General Obligation Series B Refunding Bonds to advance refund portions of 2002 Series C, the 2005 General Obligation Refunding Bonds, and the 2008 Series A Bonds. Interest rates on the bonds range from 0.49 to 5.00 percent. The proceeds from the bonds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. The outstanding balances for the 2013 General Obligation Series A Refunding Bonds and the 2013 General Obligation Series B Refunding Bonds are $194,370,000 and $31,335,000, respectively.

Debt Maturity

General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Additions	Redeemed	Bonds Outstanding June 30, 2015
2002 B	2/12/2004	8/1/2014	2.25%-5.25%	20,000,000	$ 385,000	$ -	$ 385,000	$ -
2002 C	8/22/2006	8/1/2031	4.25%-5.00%	100,000,000	58,390,000	-	-	58,390,000
2002 D	6/9/2009	8/1/2033	6.02%-6.79%	4,999,797	7,026,237	541,369	-	7,567,606
2002 E	6/9/2009	8/1/2033	7.63%	15,000,000	15,000,000	-	-	15,000,000
Refunding 2005	3/22/2005	8/1/2023	3.00%-5.14%	56,562,550	16,563,466	736,466	3,455,000	13,844,932
2008 A	12/17/2008	8/1/2018	3.75%-6.50%	140,000,000	7,005,000	-	540,000	6,465,000
2008 B	6/9/2009	8/1/2048	2.60%-7.19%	73,102,389	100,078,046	7,258,210	631,848	106,704,408
2008 C	6/9/2009	8/1/2044	7.43%-7.63%	45,210,000	45,210,000	-	-	45,210,000
Refunding 2013 Series A	4/10/2013	8/1/2033	.50%-5.00%	198,570,000	195,545,000	-	1,175,000	194,370,000
Refunding 2013 Series B	4/10/2013	8/1/2021	.49%-3.06%	32,460,000	31,930,000	-	595,000	31,335,000
Subtotal General Obligation Bonds					477,132,749	8,536,045	6,781,848	478,886,946
Premium on debt					32,532,124	-	1,881,317	30,650,807
					$ 509,664,873	$ 8,536,045	$ 8,663,165	$ 509,537,753

The 2002 General Obligation Series C Bonds mature through August 1, 2031, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ -	$ 2,919,500	$ 2,919,500
2017	-	2,919,500	2,919,500
2018	-	2,919,500	2,919,500
2019	-	2,919,500	2,919,500
2020	-	2,919,500	2,919,500
2021-2025	-	14,597,500	14,597,500
2026-2030	26,665,000	13,293,875	39,958,875
2031-2032	31,725,000	1,619,875	33,344,875
Total	$ 58,390,000	$ 44,108,750	$ 102,498,750

The 2002 General Obligation Series D Bonds mature through August 1, 2033, as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2021-2025	$ 79,691	$ 60,309	$ 140,000
2026-2030	1,064,204	1,340,796	2,405,000
2031-2034	6,423,711	19,921,290	26,345,001
Total	$ 7,567,606	$ 21,322,395	$ 28,890,001

The 2002 General Obligation Series E Bonds mature through August 1, 2033, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ -	$ 1,144,500	$ 1,144,500
2017	-	1,144,500	1,144,500
2018	-	1,144,500	1,144,500
2019	-	1,144,500	1,144,500
2020	-	1,144,500	1,144,500
2021-2025	-	5,722,500	5,722,500
2026-2030	-	5,722,500	5,722,500
2031-2034	15,000,000	3,433,500	18,433,500
Total	$ 15,000,000	$ 20,601,000	$ 35,601,000

The 2005 General Obligation Refunding Bonds mature through August 1, 2023, as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2016	$ 4,030,000	$ -	$ 256,750	$ 4,286,750
2017	-	-	156,000	156,000
2018	3,120,000	-	78,000	3,198,000
2019	-	-	-	-
2020	-	-	-	-
2021-2024	6,694,932	9,990,068	-	16,685,000
Total	$ 13,844,932	$ 9,990,068	$ 490,750	$ 24,325,750

The 2008 General Obligation Series A Bonds mature through August 1, 2018, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 935,000	$ 305,712	$ 1,240,712
2017	1,365,000	248,212	1,613,212
2018	1,830,000	168,338	1,998,338
2019	2,335,000	61,294	2,396,294
Total	$ 6,465,000	$ 783,556	$ 7,248,556

The 2008 General Obligation Series B Bonds mature through August 1, 2048, as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2016	$ 633,097	$ 621,903	$ -	$ 1,255,000
2017	629,284	765,716	-	1,395,000
2018	621,190	918,810	-	1,540,000
2019	609,583	1,080,417	-	1,690,000
2020	595,086	1,249,914	1,005,019	2,850,019
2021-2025	360,163	1,379,837	10,050,188	11,790,188
2026-2030	858,840	5,816,160	10,050,188	16,725,188
2031-2035	16,948,199	16,596,801	8,548,875	42,093,875
2036-2040	19,638,174	117,241,826	-	136,880,000
2041-2045	17,653,457	180,166,543	-	197,820,000
2046-2049	12,585,722	186,934,278	-	199,520,000
Subtotal	71,132,795	512,772,205	29,654,270	613,559,270
Accumulated Accretion	35,571,613	(35,571,613)	-	-
	$ 106,704,408	$ 477,200,592	$ 29,654,270	$ 613,559,270

The 2008 General Obligation Series C Bonds mature through August 1, 2044, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ -	$ 3,387,103	$ 3,387,103
2017	-	3,387,103	3,387,103
2018	-	3,387,103	3,387,103
2019	-	3,387,103	3,387,103
2020	-	3,387,103	3,387,103
2021-2025	-	16,935,515	16,935,515
2026-2030	-	16,935,515	16,935,515
2031-2035	-	16,935,515	16,935,515
2036-2040	31,210,000	15,776,064	46,986,064
2041-2045	14,000,000	4,806,900	18,806,900
Total	$ 45,210,000	$ 88,325,024	$ 133,535,024

The 2013 General Obligation Series A Refunding Bonds mature through August 1, 2033, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 1,195,000	$ 8,701,725	$ 9,896,725
2017	1,235,000	8,659,100	9,894,100
2018	1,285,000	8,608,700	9,893,700
2019	1,330,000	8,556,400	9,886,400
2020	4,275,000	8,444,300	12,719,300
2021-2025	41,585,000	37,867,125	79,452,125
2026-2030	86,730,000	20,255,875	106,985,875
2031-2034	56,735,000	4,281,700	61,016,700
Total	$ 194,370,000	$ 105,374,925	$ 299,744,925

The 2013 General Obligation Series B Refunding Bonds mature through August 1, 2021, as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 600,000	$ 717,924	$ 1,317,924
2017	5,040,000	683,658	5,723,658
2018	2,190,000	633,570	2,823,570
2019	5,725,000	553,966	6,278,966
2020	6,070,000	415,430	6,485,430
2021-2022	11,710,000	329,406	12,039,406
Total	$ 31,335,000	$ 3,333,954	$ 34,668,954

Community Service Grant Payable

Principal is due through 2018 as follows:

Fiscal Year	Principal
2016	$ 109,374
2017	109,373
2018	109,373
Total	$ 328,120

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District. The District has entered into an agreement with Benefit Trust Company to form the Futuris Public Entity Investment Trust to be used for the funding and payments of the District's obligations under the employee benefit plans that provide retiree health and other postemployment benefits.

Plan Description

The San Bernardino Community College District Health Plan (the Plan) is a single-employer defined benefit health care plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees. Membership of the Plan consists of 48 retirees and beneficiaries currently receiving benefits and 653 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2014-2015, the District contributed $374,226, all of which was used for current premiums. The District did not make any contributions to an irrevocable trust in the current year.

Annual OPEB Cost and Net OPEB Asset

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments 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 accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 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 asset to the Plan:

Annual required contribution	$ 732,097
Change in value of irrevocable trusts	13,461
Annual OPEB cost (expense)	745,558
Pay as you go contribution	(374,226)
Decrease in net OPEB asset	371,332
Net OPEB asset, beginning of year	(4,605,101)
Net OPEB asset, end of the year	$ (4,233,769)

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Asset
2013	$ 477,934	$ 1,117,143	234%	$ (576,194)
2014	355,220	4,384,127	1234%	(4,605,101)
2015	745,558	374,226	50%	(4,233,769)

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	$ 7,224,899
Actuarial Value of Plan Assets	3,288,535
Unfunded Actuarial Accrued Liability (UAAL)	$ 3,936,364
Funded Ratio (Actuarial Value of Plan Assets/AAL)	45.52%
Covered Payroll	52,594,073
UAAL as Percentage of Covered Payroll	7.48%

The above noted actuarial accrued liability was based on the February 1, 2014, actuarial valuation. Actuarial valuation of an ongoing plan involves 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 health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Other Postemployment Benefits Funding Progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2014, actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions included a 6.0 percent investment rate of return based on the Plan being funded in an irrevocable employee benefit trust fund. The health care cost trend rate used was an ultimate rate of 4.0 percent. The UAAL is being amortized using a level percentage of payroll method. The actuarial value of assets was $3,288,535 as of the actuarial valuation date. At June 30, 2015, the Trust held assets in the amount of $7,310,550.

NOTE 11 - RISK MANAGEMENT

Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2015, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2014-2015, the District participated in the Schools Alliance for Workers' Compensation Excess (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first $500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

Insurance Program / Company Name	Type of Coverage	Limits
Schools Alliance for Worker's Compensation Excess (SAWCX II)	Excess Workers' Compensation	$ 50,500,000
Schools Association for Excess Risk (SAFER)	Property	250,000,000
Schools Association for Excess Risk (SAFER)	Liability	25,000,000

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan		Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS		$ 33,957,179	$ 2,994,123	$ 8,361,891	$ 2,931,601
CalPERS		23,974,911	2,898,702	8,238,048	2,130,880
	Total	$ 57,932,090	$ 5,892,825	$ 16,599,939	$ 5,062,481

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required State contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were $2,994,123.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 33,957,179
State's proportionate share of net pension liability associated with the District	20,504,811
Total	$ 54,461,990

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0581 percent.

For the year ended June 30, 2015, the District recognized pension expense of $2,931,601. In addition, the District recognized revenue and pension expense of $1,770,227 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,994,123	$ -
Difference between projected and actual earnings on pension plan investments	-	8,361,891
Total	$ 2,994,123	$ 8,361,891

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 2,090,473
2017	2,090,473
2018	2,090,473
2019	2,090,472
Total	$ 8,361,891

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 52,930,361
Current discount rate (7.60%)	$ 33,957,179
1% increase (8.60%)	$ 18,136,993

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were $2,898,702.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $23,974,911. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.2112 percent.

For the year ended June 30, 2015, the District recognized pension expense of $2,130,880. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,898,702	$ -
Difference between projected and actual earnings on pension plan investments	-	8,238,048
Total	$ 2,898,702	$ 8,238,048

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 2,059,512
2017	2,059,512
2018	2,059,512
2019	2,059,512
Total	$ 8,238,048

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.50%)	$ 42,057,468
Current discount rate (7.50%)	$ 23,974,911
1% increase (8.50%)	$ 8,865,113

Accumulation Program for Part-Time and Limited-Service Employees (APPLE) Plan

Plan Description

The District contributes to the Accumulation Program for Part-Time and Limited-Service Employees (APPLE) plan. 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 contributions for employees covered by the APPLE plan for the years ended June 30, 2015, 2014, and 2013, were $63,538, $62,610, and $50,531, respectively.

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2015, which amounted to $1,545,690 (5.679 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2015, 2014, and 2013. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

Schools Association for Excess Risk (SAFER)

SAFER's excess property and liability insurance program was established in 2002 to meet the needs of California K-12 schools and community college districts. The program provides their members with comprehensive coverage and competitive rates. SAFER's membership consists of one individual member district and three joint 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 ADA.

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 ADA. The board controls the operations of SWACC and elects officers from its members.

Schools Alliance for Workers' Compensation Excess II Self Joint Powers Authority (SAWCX II)

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

California Community College Financing Authority (CCCFA)

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

San Bernardino 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 the San Bernardino County Consolidated Fire District, the City of San Bernardino, and the San Bernardino Community College District. The governing board is comprised of representatives from each member agency.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

Operating Leases

The District leases land on Box Springs Mountain for KVCR's broadcasting equipment. The lease term expires on October 31, 2032.

The District leases land in the City of Desert Hot Springs for additional broadcasting equipment. The five-year lease agreement was renewed for an additional five years commencing on January 1, 2011. The terms of the lease provide for quarterly payments of rent.

The District leases equipment for general use. Payout amounts vary by lease agreement.

Year Ending June 30,	Lease Payment
2016	$ 238,795
2017	191,779
2018	176,203
2019	44,670
2020	15,600
Thereafter	192,400
Total	$ 859,447

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Spent to Date	Remaining Construction Commitment
SBVC Gymnasium and Stadium	$ 27,607,197	$ 41,705,811
SBVC Applied Technology	1,960,202	1,197,578
CHC Physical Education Complex	6,695,571	408,804
CHC Performing Arts Center Renovation	245,394	2,169,925
CHC Science Building	20,488,061	5,834,411
CHC LADM Renovation	1,245,727	13,480,267
CHC Occupational Education 1 - OE1	281,753	390,298
CHC Occupational Education 2 - OE2	18,744,079	5,037,417
CHC College Center Renovation	254,909	1,301,375
CHC Student Services A Renovation	678,277	6,286,669
CHC M & O Renovation	2,010,024	39,976
CHC Student Services Bldg (Crafton Ctr)	24,678,764	6,121,487
CHC Chemistry Health Science Renovation	166,803	386,641
CHC Classroom Building Renovation	71,013	231,685
	$ 105,127,774	$ 84,592,344

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's beginning net position has been restated as of June 30, 2015.

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $69,462,285.

Also, the beginning net position was restated for a change in accounting principle. During the current fiscal year, the District created the KVCR Education Foundation Fund, a fiduciary fund, which was previously included in the KVCR Special Revenue Fund within the Primary Government. See the reconciliation of the beginning net position below.

Primary Government	
Net Position - Beginning	$ 160,061,110
Restatement of Aggregate Net Pension Obligation for implementation of GASB Statement No. 68	(74,134,168)
Restatement of Deferred Outflows of Resources for implementation of GASB Statement No. 68	4,671,883
Restatement of Fund presentation for KVCR Special Revenue Fund	(1,183,783)
Net Position - Beginning, as Restated	$ 89,415,042

Fiduciary Funds	
Net Position - Beginning	$ 8,751,242
Restatement of Fund presentation for KVCR Education Foundation	1,183,783
Net Position - Beginning, as Restated	$ 9,935,025

NOTE 16 - SUBSEQUENT EVENTS

On October 14, 2015, the District issued two new bond issuances. The District issued the Election of 2008 Series D General Obligation Current Interest Bonds in the amount of $29,070,000 and the Election of 2008 Series D General Obligation Capital Appreciation Bonds in the amount of $8,466,960. These bonds will be used for the renovating, acquiring, constructing, repairing, and equipping District buildings and other facilities. Also, on October 14, 2015, the District issued 2015 General Obligation Refunding Bonds in the amount of $55,975,000. These bonds will be used to pay off previous bond obligations.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method *Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
August 1, 2009	$ 1,168,751	$ 8,338,911	$ 7,170,160	14.02%	$ 42,707,577	16.79%
February 1, 2012	2,027,100	6,253,735	4,226,635	32.41%	43,070,755	9.81%
February 1, 2014	3,288,535	7,224,899	3,936,364	45.52%	52,594,073	7.48%

* Entry age normal costs method

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

District's proportion of the net pension liability	0.0581%
District's proportionate share of the net pension liability	$ 33,957,179
State's proportionate share of the net pension liability associated with the District	20,504,811
Total	$ 54,461,990
District's covered - employee payroll	$ 30,941,662
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	109.75%
Plan fiduciary net position as a percentage of the total pension liability	77%

CalPERS

District's proportion of the net pension liability	0.2112%
District's proportionate share of the net pension liability	$ 23,974,911
District's covered - employee payroll	21,652,411
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	110.73%
Plan fiduciary net position as a percentage of the total pension liability	83%

Note : In the future, as data become available, ten years of information will be presented.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

Contractually required contribution	$ 2,994,123
Contributions in relation to the contractually required contribution	2,994,123
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 33,717,601
Contributions as a percentage of covered - employee payroll	8.88%

CalPERS

Contractually required contribution	$ 2,897,702
Contributions in relation to the contractually required contribution	2,897,702
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 24,617,297
Contributions as a percentage of covered - employee payroll	11.771%

Note : In the future, as data become available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2015

San Bernardino Community College District was established in 1926 and is located in San Bernardino County. There were no changes in the boundaries of the District during the current year. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
John Longville	President	2018
Dr. Kathleen Henry	Vice President	2016
Joseph Williams	Clerk	2018
Donna Ferracone	Member	2016
Gloria Macias Harrison	Member	2016
Dr. Donald L. Singer	Member	2018
Nickolas W. Zoumbos	Member	2016
Esmeralda Vasquez	Student Trustee, CHC	2016
Thomas Robles	Student Trustee, SBVC	2016

ADMINISTRATION

Bruce Baron, M.S.	Chancellor
Gloria Fisher, J.D.	President - San Bernardino Valley College
Cheryl A. Marshall, Ed.D.	President - Crafton Hills College

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grant	84.007		$ 677,309
Federal Work Study	84.033		856,166
Federal Pell Grant	84.063		23,554,523
Federal Perkins Loan	84.038		5,000
Supplemental Educational Opportunity Grant - Administrative Allowance	84.007		29,623
Federal Work Study - Administrative Allowance	84.033		21,245
Federal Pell Grant - Administrative Allowance	84.063		37,180
Perkins Loan Administration	84.038		250
Total Student Financial Assistance Cluster			25,181,296
Title IV - TRIO - Student Support Services	84.042A		343,089
Minority Science and Engineering Improvement Program	84.120A		165,596
Title V - Hispanic Serving Institutions - Strengthening Institutions	84.031S		714,654
Title V - Hispanic Serving Institutions - STEM	84.031C		2,361,731
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (Perkins Title I-C)	84.048	13-C01-046	404,622
CTE Transitions	84.048A	13-112-982	86,214
Total U.S. Department of Education			29,257,202
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services			14,422
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	[1]	157,964
U.S. DEPARTMENT OF LABOR			
TANF Work Study	17.258		1,376
Passed through from the Chaffey Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	[1]	141,314
Total U.S. Department of Labor			142,690
NATIONAL SCIENCE FOUNDATION			
Bridging the Water Divide**	47.076		91,202

[1] Pass-Through Entity Identifying Number not available.
[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of $917 related to revenue recognition principles in various programs.
** Research and Development Grant.

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through from Yosemite Community College District				
Child Development Consortium	93.575	[1]	$ 25,000	
Passed through from the California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families	93.558	[1]	140,326	
Total U.S. Department of Health and Human Services			165,326	
U.S. DEPARTMENT OF COMMERCE				
Pass-through California Manufacturers and Technology Consulting (CMTC)				
Manufacturing Extension Partnership	11.611	70NANB10H292	884	
Total Expenditures of Federal Awards			$ 29,829,690	[2]

[1] Pass-Through Entity Identifying Number not available.
[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of $917 related to revenue recognition principles in various programs.
** Research and Development Grant.

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
SFAA-BFAP Admin Allowance	$ 217,395	$ 422,263	$ 639,658
CARE	123,758	-	123,758
EOPS	1,002,148	-	1,002,148
Handicapped Students Program	1,129,193	-	1,129,193
Child Development	774,744	-	774,744
State Preschool Grant	1,813,489	-	1,813,489
Foster Parents	169,764	-	169,764
Youth Empowerment	22,500	-	22,500
Workability III	142,762	-	142,762
Telecommunications Technology	-	5,641	5,641
Basic Skills	194,869	165,492	360,361
Instructional Equipment	-	420,391	420,391
Block Grant FY-98	1,914,551	335,839	2,250,390
Matriculation	2,203,954	93,872	2,297,826
Lottery - Prop 20	377,241	191,662	568,903
3C Media Solutions	-	293,491	293,491
Alternate Text Production Center	1,300,000	44,714	1,344,714
CalWORKS	579,785	-	579,785
Equal Employment Opportunity	6,994	26,544	33,538
ATTC/IDRC	-	-	-
Employment Training Panel	-	584,391	584,391
Middle College High School	99,000	2,600	101,600
Student Mental Health Program	50,000	-	50,000
Job Development Incentive Funding	-	-	-
Communication Technology Education	-	165,247	165,247
Staff Development	-	4,348	4,348
WIA - State Match II	-	-	-
AB86 - Adult Consortium	-	348,137	348,137
Prop 39 - Clean Energy Funding	608,718	37,910	646,628
ICT/Digital Media - 1070	100,000	68,649	168,649
CalTRANS Workcrew Project	-	2,002,822	2,002,822
ICT/Digital Media - ATTC	200,000	101,163	301,163

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 639,658	$ -	$ -	$ 639,658	$ 639,658
123,001	-	-	123,001	123,001
1,002,148	-	-	1,002,148	1,002,148
1,083,637	-	-	1,083,637	1,083,637
811,966	-	-	811,966	811,966
1,679,225	-	-	1,679,225	1,679,225
84,882	84,882	-	169,764	169,764
7,256	15,080	-	22,336	22,336
54,123	63,482	-	117,605	117,605
5,641	-	5,641	-	-
372,146	-	183,529	188,617	188,617
420,391	-	403,560	16,831	16,831
2,215,370	-	1,063,484	1,151,886	1,151,886
2,297,826	-	628,273	1,669,553	1,669,553
(27,211)	505,004	-	477,793	477,793
293,491	-	291,394	2,097	2,097
1,332,592	-	-	1,332,592	1,332,592
552,589	12,915	-	565,504	565,504
33,220	-	13,403	19,817	19,817
-	-	-	-	-
223,551	-	-	223,551	223,551
42,200	52,905	-	95,105	95,105
23,671	25,151	-	48,822	48,822
-	-	-	-	-
165,247	-	-	165,247	165,247
4,348	-	1,792	2,556	2,556
63	-	63	-	-
311,448	-	99,137	212,311	212,311
505,960	-	-	505,960	505,960
8,649	52,144	-	60,793	60,793
877,579	147,000	324,111	700,468	700,468
61,163	120,000	27,560	153,603	153,603

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2015

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
Enrollment Growth/Nursing Program	$ 126,737	$ -	$ 126,737
Student Equity Grant	889,081	-	889,081
CTE Enhancement Grant	353,733	-	353,733
Prop 39 Region F Colleges/SBVC	50,704	-	50,704
Ramp Up/Victor Valley Community College	601,120	-	601,120
ETP #4 ATTC	374,474	-	374,474
Industry Driven	353,214	-	353,214
IDRC - ATTTC	298,836	-	298,836
Total State Awards			

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 126,737	$ -	$ 27,689	$ 99,048	$ 99,048
892,458	-	466,117	426,341	426,341
141,493	-	61,629	79,864	79,864
-	43,826	-	43,826	43,826
601,120	-	417,884	183,236	183,236
80,700	75,368	-	156,068	156,068
-	141,285	129,992	11,293	11,293
87,623	211,213	-	298,836	298,836
$ 17,135,961	$ 1,550,255	$ 4,145,258	$ 14,540,958	$ 14,540,958

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2015

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit	-	-	-
2. Credit	654	-	654
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit	-	-	-
2. Credit	704	-	704
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	9,854	-	9,854
(b) Daily Census Contact Hours	1,171	-	1,171
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	57	-	57
(b) Credit	771	-	771
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	964	-	964
(b) Daily Census Contact Hours	542	-	542
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	14,717	-	14,717
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	57	-	57
2. Credit	1,053	-	1,053

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 16,477,615	$ -	$ 16,477,615	$ 16,477,615	$ -	$ 16,477,615
Other	1300	11,669,695	-	11,669,695	5,956,207	-	5,956,207
Total Instructional Salaries		28,147,310	-	28,147,310	22,433,822	-	22,433,822
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,201,929	-	11,201,929
Other	1400	-	-	-	488,959	-	488,959
Total Noninstructional Salaries		-	-	-	11,690,888	-	11,690,888
Total Academic Salaries		28,147,310	-	28,147,310	34,124,710	-	34,124,710
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	13,986,423	-	13,986,423
Other	2300	-	-	-	1,264,550	-	1,264,550
Total Noninstructional Salaries		-	-	-	15,250,973	-	15,250,973
Instructional Aides							
Regular Status	2200	1,154,469	-	1,154,469	1,154,469	-	1,154,469
Other	2400	595,459	-	595,459	595,459	-	595,459
Total Instructional Aides		1,749,928	-	1,749,928	1,749,928	-	1,749,928
Total Classified Salaries		1,749,928	-	1,749,928	17,000,901	-	17,000,901
Employee Benefits	3000	6,659,428	-	6,659,428	14,485,985	-	14,485,985
Supplies and Material	4000	-	-	-	767,586	-	767,586
Other Operating Expenses	5000	691,930	-	691,930	10,006,283	-	10,006,283
Equipment Replacement	6420	-	-	-	274,109	-	274,109
Total Expenditures Prior to Exclusions		37,248,596	-	37,248,596	76,659,574	-	76,659,574

See accompanying note to supplementary information.

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Student Health Services Above Amount Collected	6441	$ -	$ -	$ -	$ 74,641	$ -	$ 74,641
Objects to Exclude							
Rents and Leases	5060	-	-	-	632,760	-	632,760
Lottery Expenditures							-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,800,332	$ -	$ 1,800,332
Capital Outlay							
Equipment	6300	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Exclusions		-	-	-	2,507,733	-	2,507,733
Total for ECS 84362, 50 Percent Law		$ 37,248,596	$ -	$ 37,248,596	$ 74,151,841	$ -	$ 74,151,841
Percent of CEE (Instructional Salary Cost/Total CEE)		50.23%		50.23%	100.00%		100.00%
50% of Current Expense of Education					$ 37,075,921		$ 37,075,921

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Summarized below is the fund balance reconciliation between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General Fund	Workers' Compensation Fund	Capital Project Fund	Bond Fund	KVCR Fund
FUND BALANCE					
Balance, June 30, 2015, (CCFS-311)	$ 16,141,525	$ 4,248,747	$ 11,431,432	$ 91,921,289	$ 276,015
Change in:					
Beginning fund balance	-	(820,419)	-	-	-
Load banking	77,169	-	-	-	-
Accounts payable	148,263	-	120,832	2,498,008	-
Due to other funds	176,988	-	-	-	(276,015)
Balance, June 30, 2015, Audited	$ 16,543,945	$ 3,428,328	$ 11,552,264	$ 94,419,297	$ -

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2015

Activity Classification	**Object Code**			**Unrestricted**	
EPA Proceeds:	8630				$ 13,538,804
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ -	-	-	$ 13,538,804
Total Expenditures for EPA		$ -	-	-	$ 13,538,804
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Fund	$ 16,543,945	
Special Revenue Funds	(213,101)	
Capital Project Funds	105,971,561	
Debt Service Funds	28,793,393	
Enterprise Funds	1,043,739	
Internal Service Funds	8,515,139	
Fiduciary Funds	181,905	
Total Fund Balance - All District Funds		**$ 160,836,581**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	582,504,589	
Accumulated depreciation is	(112,406,489)	470,098,100
Contributions to pension plans made subsequent to the measurement date were recognized as expenditures on the modified accrual basis, but are not recognized on the accrual basis.		5,892,825
The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. The balance represents the unamortized deferred charges on refunding amounts as of June 30, 2015.		23,612,674
In governmental funds, postemployment benefit costs are recognized as expenditures in the period they are paid. In the government-wide financial statements, postemployment benefit costs are recognized in the period that they are incurred. The other postemployment benefit net asset is a result of the accumulated contributions in access of the annual required contribution (ARC).		4,233,769
Difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(16,599,939)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(7,324,126)
Long-term liabilities at year end consist of:		
Bonds payable	509,537,753	
Community service grant payable	328,120	
Compensated absences	2,587,344	
Aggregate net pension liability	57,932,090	(570,385,307)
Total Net Position		**$ 70,364,577**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

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

Proposition 30 Education Protection Act (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S 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, 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, the basic financial statements of the business-type activities and the aggregate remaining fund information of San Bernardino Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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

We noted certain matters that we reported to management of the District in a separate letter dated November 20, 2015.

San Bernardino Community College District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 20, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 State, Local Governments, and Non-Profit 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 the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 the 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 20, 2015

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in August 2014.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 491 Proposition 30 Education Protection Account Funds. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

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Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2015, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 20, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.038,	Student Financial Assistance Cluster
84.031S, 84.031C	Title V - Hispanic Serving Institutions - Strengthening Institutions Title V - Hispanic Serving Institutions - STEM
84.048	Career and Technical Education Act
84.048A	CTE Transitions
84.042A	Title IV - TRIO - Student Support Services

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State program which was qualified:

Name of State Program
Section 491 Proposition 30 Education Protection Account Funds

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*.

2015-001 Financial Reconciliation Process

Criteria or Specific Requirement

The accounting system used to record the financial affairs of any community college district shall be in accordance with the definitions, instructions, and procedures published in the California Community Colleges *Budget and Accounting Manual* (BAM). Colleges are also required to present their financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

Material Weakness **-** Errors were made within the closing process of the District's financial records during the current fiscal year. Material adjustments and reclassifications were required to conform to the BAM. Errors were found in various accounts including, but not limited to:

- Accounts Payable

  The accounts payable balances were not properly reconciled at the end of the year. Controls in place did not operate effectively to ensure the proper closing of open purchase orders. Material adjustments were necessary to reconcile these account balances.

- Fund Balance

  Prior year audit adjustments were not properly posted to the general ledger. Beginning balance adjustments were necessary to properly reconcile the beginning balances per the general ledger to the prior year audit report.

- Inter-Fund Activity

  Amounts owing between funds of the District were not appropriately monitored during the year. We noted inter-fund obligations were, in some instances, carried over from prior years, and, in other instances, may have been cleared within one fund, but not in the corresponding fund.

Effect

Material adjustments to the general ledger were proposed as a result of the audit procedures. These adjustments were accepted by management to ensure the financial statements were presented fairly.

Cause

The oversight controls over the closing process appeared not to have been adhered to, resulting in adjustments and a material weakness.

Recommendation

The District needs to develop a closing procedure calendar at year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. All inter-fund activity accounts should be examined and investigated to determine the purpose of the inter-fund borrowings and the true amount owed to various funds.

Management's Response and Corrective Action Plan

Errors were made during the closing process due to significant changeover in staff. Management will develop a closing procedures calendar for year end to ensure that all information is prepared, reviewed, and reconciled prior to the closing of the general ledger. As part of closing procedures, management will examine and investigate all inter-fund activity accounts to determine the purpose of the inter-fund borrowings and the true amounts owed to various funds. The closing procedures calendar will be developed by December 2015.

The following finding represents a significant deficiency and an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133.

2015-002 Procurement, Suspension, and Debarment

Programs

U.S. Department of Education (DOE): Title V - Strategies to Improve Hispanic Student Success and Transfer (CFDA #84.031S); Hispanic Serving Institution - STEM (CFDA #84.031C); and Creating a STEM Pathway to Increase Hispanic Student STEM Degrees and Transfer (CFDA #84.031C), U.S. Department of Education (DOE) Career and Technical Education Act (CFDA #84.048)

Compliance Requirement

Procurement, Suspension, and Debarment

Criteria or Specific Requirements

OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations. (2 CFR part 215.13) require that prohibits non-federal entities from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred. All vendors who are providing services to federally funded programs in excess $25,000 should be verified to ensure they are not suspended or debarred.

Condition

Significant Deficiency - The District did not have policies or procedures in place to ensure that covered transactions are not entered into with parties that are suspended or debarred.

Questioned Costs

No questioned costs. See Context.

Context

Of the vendors who had more than $25,000 in disbursements that were tested, none were adequately checked and documented for suspension and debarment; however, the District did not expend any funds to excluded parties.

Effect

Future expenditures to excluded parties can result in the District having to return Federal funds.

Cause

The District had not adopted policies and procedures to ensure the compliance with Federal requirements.

Recommendation

It is recommended that the District adequately verify all vendors who are providing services to federally funded programs in excess of $25,000 to ensure that the entity is not suspended, debarred, or otherwise excluded. This verification should be checked on the System for Awards Management (SAM) website. The District should also establish policies and procedures for individuals to follow who are approving and creating contracts with Federal funds.

Management's Response and Corrective Action Plan

Management has verified that all current vendors who are providing services to federally funded programs in excess of $25,000 are not suspended, debarred, or otherwise excluded. Additionally, management has developed internal procedures for procurement staff to follow before approving future contracts with Federal funds.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations.

2015-003 491 - Proposition 30 Education Protection Account Funds

Criteria or Specific Requirement

A community college district shall have sole authority to determine how the monies received from the Education Protection Account (EPA) are spent in the school or schools within its jurisdiction, provided, however, the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Condition

In an open-session Board meeting held on June 11, 2015, the Board approved the resolution to spend EPA funds on instruction-related expenses, which are allowable costs. Although the District incurred sufficient instruction-related expenses during the year to be covered by the EPA funds, the District did not code these expenses as EPA expenditures in its accounting system to clearly evidence that EPA funds were not expended for salaries or benefits of administrators or any other administrative costs.

Questioned Costs

The District received $13,538,804 in EPA funds.

Context

See Questioned Costs.

Effect

The District did not clearly show that all EPA funds were spent on allowable costs.

Cause

The District did not set up a separate sub-program in its accounting system to code costs covered by EPA funds as EPA expenditures.

Recommendation

The District should set up a separate sub-program in its accounting system to identify EPA expenditures. These expenditures should reconcile to the amount of monies received from the Chancellor's Office.

Management's Response and Corrective Action Plan

Management has set up a sub-program in its accounting system to identify EPA expenditures. At year end, management will perform a reconciliation of these expenditures to funds received from the Chancellor's Office.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2014-001 Material Weakness - Material Audit Adjustment

Criteria or Specific Requirements

Best practices require a review and reconciliation of the components of State apportionment at year end. This will ensure property tax revenue, student enrollment fees, and State apportionment have been accurately reported in the financial statements.

Condition

The State apportionment components were not reconciled at year end. Property tax revenue was received in excess of amounts anticipated which then reduces State apportionment. An accrual in the amount of $4.8 million was calculated by the auditors, reviewed, and accepted by management to properly account for the revenues.

Recommendation

Management should develop a procedure and control to reconcile the apportionment accounts at year end. As part of the closing process, an accounts receivable or payable should be booked to properly account for current year activity.

Current Status

Implemented.

2014-002 Significant Deficiency - Deficit Fund Balance

Criteria or Specific Requirement

Best accounting practices require the District to maintain adequate financial resources, both at an entity-wide level and at the specific fund level.

Condition

At year end, the District had two funds that showed a negative fund balance: the Cafeteria Fund and the Child Development Fund. The Cafeteria Fund balance has shown a negative balance for the last two years and ended with a deficit balance of $197,374. The expenditures for the Cafeteria Fund exceeded the revenues by $16,276 in the current year. Included in the liabilities of the Cafeteria Fund is an amount owed to the General Fund for salaries, benefits, and other support in the amount of $400,000. Without positive net income, this amount is at risk of not being repaid.

The Child Development Fund showed an ending negative fund balance of $133,598. The expenditures for the Child Development Fund exceeded the revenues by $398,775. We also noted that current year revenues were $455,757 less than what was initially budgeted for the year. Corresponding reductions in the expenses of the fund were not made.

Recommendation

A plan for the continuing operations of the Cafeteria Fund should be discussed and implemented to ensure the program has the ability to sustain itself. The revenues of the Child Development Fund should be reviewed against the budget during the year, and when revenues are reduced, institute plans to also reduce the expenses related to the program. The District should continue to monitor the budget of these two funds to ensure that the operating losses do not continue and become a General Fund obligation.

Current Status

Implemented.

Federal Awards Findings

San Bernardino Valley College

2014-003 Student Financial Aid Eligibility

Program

U.S. Department of Education (ED), Student Financial Assistance Cluster (CFDA #s 84.007, 84.033, and 84.063)

Federal Program Affected

U.S. Department of Education, Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grant (CFDA #84.007), Federal Work Study Program (CFDA #84.033), and Federal Pell Grant Program (CFDA #84.063)

Compliance Requirement

Eligibility.

Criteria or Specific Requirement

34 CFR Section 600.10(c)(2)). Student Financial Assistance (SFA) funds can be awarded only to students enrolled in eligible programs. Eligible programs are listed on an institution's Eligibility and Certification Approval Report (ECAR). Other programs can be added after the school's most recent certification without obtaining ED's approval if they lead to an associate, baccalaureate, professional, or graduate degree or are at least 8 semester hours, 12 quarter hours, or 600 clock hours, and they prepare students for gainful employment in the same or a related occupation of a previously ED-designated eligible program (34 CFR Section 600.10(c)(2)).

Condition

Significant Deficiency - Students must be enrolled in an eligible program or matriculation towards a transfer to a higher education in order to receive financial aid awards. During the review of eligibility documents, the District Student Financial Aid Office does not have procedures in place to determine if recipients of financial aid are enrolled in an eligible program. Students have been enrolled in more than a semester each and received funding for all semesters.

Also, the District used the IRS Form 1040 for verification of income for 2 of the 40 students tested.

Questioned Costs

None.

Context

At San Bernardino Valley College, the total population of Financial Aid Students was 4,599. During the fiscal year, of these students, 40 student files were tested. Six student files did not show evidence that the student declared a major during the year for San Bernardino Valley College.

When income is verified, only IRS tax transcripts should be used unless the student's IRS Form 1040 was modified and submitted by the IRS.

Effect

The District Student Financial Aid Office is at risk of disbursing Federal financial aid funds to ineligible students.

Cause

The District Student Financial Aid Office had not updated its procedures to provide steps for ensuring that the students disbursed financial aid funds are in an eligible program, and the 1040 IRS form is no longer being used for income verification.

Recommendation

The District Student Financial Aid Office should develop and implement procedures to review the academic program of all financial aid recipients to ensure that funds are only paid to those students enrolled in an eligible program. Also, the District should ensure that the correct forms are used to verify income.

Current Status

Implemented.

San Bernardino Valley College and Crafton Hills College

2014-004 Return to Title IV

Program

U.S. Department of Education (ED), Student Financial Assistance Cluster (CFDA #s 84.007, 84.033, and 84.063)

Federal Program Affected

U.S. Department of Education, Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grant (CFDA #84.007), Federal Work Study Program (CFDA #84.033), and Federal Pell Grant Program (CFDA #84.063)

Compliance Requirement

Special tests and provisions.

Criteria or Specific Requirement

A-133 Compliance Supplement, 34 CFR Section 668.22(j):
Return of Title IV funds are required to be deposited or transferred into the SFA account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined that the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

Condition

Significant Deficiency - During our review of the requirements for Return of Title IV funds, we determined that both campuses were not remitting within the 45 day time requirement.

Questioned Costs

None noted.

Context

At San Bernardino Valley College, the total population of Return to Title IV students was 181 students. There were 15 students of 21 tested for whom the Return of Title IV funds exceeded the 45 day time requirement.

At Crafton Hills College, the total population of Return to Title IV students was 64 students. There were 4 students of 8 tested for whom the Return of Title IV funds exceeded the 45 day time requirement.

Effect

The District is not in compliance with the Federal requirements described in A-133 Compliance Supplement, 34 CFR Section 668.22(j).

Cause

The District has not implemented policies and procedures to monitor the Return of Title IV funds.

Recommendation

It is recommended that the District implement procedures to ensure that the Return of Title IV funds occurs within 45 days from the date the District determines that the student withdrew from classes. In addition, the District needs to ensure that all amounts owed are returned.

Current Status

Implemented.

2014-005 Cash Management

Program

U.S. Department of Education (ED), Student Financial Assistance Cluster (CFDA #s 84.007, 84.033, and 84.063)

Federal Program Affected

U.S. Department of Education, Student Financial Assistance Cluster: Federal Supplemental Education Opportunity Grant (CFDA #84.007), Federal Work Study Program (CFDA #84.033), and Federal Pell Grant Program (CFDA #84.063)

Compliance Requirement

Cash management.

Criteria or Specific Requirement

For each bank or investment account that includes Title IV, HEA program funds, an institution must clearly identify that Title IV, HEA program funds are maintained in that account by:

(i) Including in the name of each account the phrase "Federal Funds"; or
  - (A) Notifying the bank or investment company of the accounts that contain Title IV, HEA program funds and retaining a record of that notice; and
  - (B) Except for a public institution, filing with the appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains Federal funds and maintaining a copy of that statement.

Condition

Significant Deficiency - The District has a bank account that includes Title IV funds that are not identified as "Federal Funds". For these unidentified Federal funds, the District also has not filed with the appropriate State or municipal government entity a UCC-1 statement.

Questioned Costs

There are no questioned costs related to this finding due to the District not identifying their bank or investment accounts as "Federal Funds".

Context

At the end of the 2013-2014 fiscal year, the District's bank account had a balance of $201,742 that was not identified as "Federal Funds".

Effect

Without proper documentation, the District is at risk of noncompliance with 34 CFR 84 §668.163.

Cause

The District did not ensure that FSA funds are maintained in the account by including the phrase "Federal Funds" or did not file a UCC-1 statement with the appropriate State or municipal government entity that discloses that an account contains Federal funds when opening the account.

Recommendation

Whenever the District opens a bank or investment account that will contain Federal funds, they should ensure that proper disclosure of Federal funds has been achieved.

Current Status

Implemented.

State Awards Findings

San Bernardino Valley College

2014-006 Cooperative Agencies Resources for Education (CARE)

Criteria or Specific Requirement

Per guidelines set forth by the California Community Colleges Chancellor's Office, each CARE program shall have an advisory committee and/or interagency group. The CARE advisory committee and/or interagency group shall meet at least twice during each academic year.

Condition

The San Bernardino Valley College CARE advisory committee did not hold a second advisory committee meeting during the academic year.

Questioned Costs

Not determinable.

Context

The District receives approximately $1.6 million in CARE funding.

Effect

The campus is not in compliance with State requirements to hold two CARE advisory committee meetings per academic year.

Cause

The campus maintains a joint EOPS and CARE advisory committee meeting; however, the committee only met once during the academic year.

Recommendation

The District should implement procedures to ensure the CARE advisory committee holds two meetings each academic year. Each year, the District should adopt a meeting schedule to ensure compliance.

Current Status

Implemented.