



Annual Financial Report
June 30, 2019

San Bernardino Community College District



SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2019

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FINANCIAL SECTION



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 and the aggregate remaining fund information of San Bernardino Community College District (the District) as of and for the year ended June 30, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 opinions.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, and other required supplementary schedules on pages 69 through 73, to 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 December 17, 2019, 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 solely 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 effectiveness of the District's 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 17, 2019



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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, 2019. The report consists of the following three basic financial statements: Statement of Net 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, 2019. 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 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 focus on the District as a whole. The government-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). The District FTES for the year ended June 30, 2019 was approximately the same as the prior year, as noted below.

	Year Ended June 30		
	2019	2018	Change
San Bernardino Valley College	10,480	10,785	-2.8%
Crafton Hills College	4,812	4,519	6.5%
San Bernardino Community College District	15,292	15,304	-0.1%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- During the year ended June 30, 2019, the District endeavored to fill various vacant employee positions across the District and improved staffing levels by 1.4 percent over the prior year as noted below.

	Year Ended June 30		
	2019	2018	Change
Administrators	119	113	5.3%
Faculty	284	282	0.7%
Classified	442	438	0.9%
Total	845	833	1.4%

- 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. During the year ended June 30, 2019, the District again met this requirement with a rate of 50.36 percent compared to 51.19 percent in the previous year.
- The District invested approximately \$79 million of the FCC auction proceeds in the Pension Rate Stabilization Trust. The District also invested approximately \$46 million in commercial real estate and plans to use investment income to fund a portion of the free college promise program.
- The District received tremendous voter support in the passage of bond measure CC, which will fund many needed infrastructure projects.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, 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 plus deferred inflows (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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The Statement of Net Position as of June 30, 2019 and June 30, 2018, is summarized below.

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and investments	\$ 219,084	\$ 266,170
Accounts receivable (net)	17,515	15,362
Other current assets	1,285	1,006
Total Current Assets	<u>237,884</u>	<u>282,538</u>
Capital Assets (net)	<u>577,564</u>	<u>537,149</u>
Total Assets	<u>815,448</u>	<u>819,687</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	12,979	12,365
Deferred outflows of resources related to pensions	50,053	53,830
Deferred outflows of resources related to OPEB	287	296
Total Deferred Outflows of Resources	<u>63,319</u>	<u>66,491</u>
LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities	55,948	39,836
Current portion of long-term debt	12,190	11,525
Total Current Liabilities	<u>68,138</u>	<u>51,361</u>
Long-Term Obligations	<u>708,818</u>	<u>702,572</u>
Total Liabilities	<u>776,956</u>	<u>753,933</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	12,426	18,156
Deferred inflows of resources related to OPEB	5	-
Total Deferred Inflows of Resources	<u>12,431</u>	<u>18,156</u>
NET POSITION		
Net investment in capital assets	114,975	58,611
Restricted	33,806	33,975
Unrestricted (Deficit)	(59,401)	21,503
Total Net Position	<u>\$ 89,380</u>	<u>\$ 114,089</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, 2019 and June 30, 2018, is summarized below.

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Tuition and fees	\$ 8,122	\$ 8,123
Grants and contracts, non capital	37,461	35,018
Auxiliary sales and charges	582	3,389
Total Operating Revenues	<u>46,165</u>	<u>46,530</u>
Operating Expenses		
Salaries and benefits	128,626	109,677
Supplies and maintenance	36,981	30,356
Student financial aid	27,232	25,631
Depreciation	17,778	17,087
Total Operating Expenses	<u>210,617</u>	<u>182,751</u>
Operating Loss	<u>(164,452)</u>	<u>(136,221)</u>
Nonoperating Revenues (Expenses)		
State apportionments	62,532	57,177
Property taxes	62,440	53,783
Financial aid grants, non capital	25,756	24,311
State revenues	4,224	3,506
Net interest expense	(22,648)	(23,656)
Other nonoperating revenues	5,282	86,530
Total Nonoperating Revenue (Expenses)	<u>137,586</u>	<u>201,651</u>
Other Revenues		
State and local capital income	<u>2,157</u>	<u>2,766</u>
Change in Net Position	<u>\$ (24,709)</u>	<u>\$ 68,196</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, 2019:

(Amounts in thousands)

	Employee		Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
	Salaries	Benefits					
Instructional activities	\$ 38,086	\$ 20,045	\$ 1,726	\$ 2,045	\$ -	\$ -	\$ 61,902
Academic support	7,503	4,418	3,527	616	-	-	16,064
Student services	13,069	4,942	1,930	153	-	-	20,094
Plant operations and maintenance	4,144	2,239	3,029	244	-	-	9,656
Instructional support services	13,922	6,069	12,068	3,042	-	-	35,101
Community services and economic development	4,468	1,724	2,208	80	-	-	8,480
Ancillary services and auxiliary operations	5,050	2,361	3,946	1,375	-	-	12,732
Student aid	-	-	-	-	27,232	-	27,232
Physical property and related acquisitions	410	176	992	-	-	-	1,578
Unallocated depreciation	-	-	-	-	-	17,778	17,778
Total	<u>\$ 86,652</u>	<u>\$ 41,974</u>	<u>\$ 29,426</u>	<u>\$ 7,555</u>	<u>\$ 27,232</u>	<u>\$ 17,778</u>	<u>\$ 210,617</u>

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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Statement of Cash Flows for the years ended June 30, 2019 and June 30, 2018, is summarized below.

(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Cash Provided by (Used in)		
Operating activities	\$ (136,000)	\$ (116,372)
Noncapital financing activities	128,016	193,561
Capital financing activities	(45,798)	32,863
Investing activities	6,301	3,454
Net Increase (Decrease) in Cash	<u>(47,481)</u>	<u>113,506</u>
Cash, Beginning of Year	230,878	117,372
Cash, End of Year	<u>\$ 183,397</u>	<u>\$ 230,878</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the District had \$751.4 million in capital assets, less \$173.8 million accumulated depreciation for net capital assets of \$577.6 million. The District spent approximately \$58.2 million on capital assets during the year, the majority of which relate to bond proceeds and commercial real estate investment. Depreciation charges during the year totaled \$17.8 million. Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

(Amounts in thousands)

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Land and construction in progress	\$ 97,092	\$ 61,035	\$ (124,166)	\$ 33,961
Buildings and improvements	567,177	115,609	-	682,786
Furniture and equipment	29,017	5,715	(101)	34,631
Subtotal	<u>693,286</u>	<u>182,359</u>	<u>(124,267)</u>	<u>751,378</u>
Accumulated depreciation	<u>(156,137)</u>	<u>(17,778)</u>	<u>101</u>	<u>(173,814)</u>
	<u>\$ 537,149</u>	<u>\$ 164,581</u>	<u>\$ (124,166)</u>	<u>\$ 577,564</u>

Obligations

As of June 30, 2019, the District had \$721.0 million in debt consisting of \$590.8 million from general obligation bonds, \$121.4 million from aggregate net pension obligation, \$2.1 million from aggregate net OPEB liability, \$3.5 million from compensated absences, and \$3.2 million claims liability.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Details including the type, interest rates, and maturities of the general obligation bonds are found in Note 10. A summary of long-term obligations is presented below.

(Amounts in thousands)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
General obligation bonds	\$ 593,749	\$ 11,284	\$ (14,254)	\$ 590,779
Compensated absences	3,256	289	-	3,545
Claims liability	3,175	-	-	3,175
Aggregate net OPEB liability	1,768	389	(46)	2,111
Aggregate net pension obligation	112,150	9,248	-	121,398
Total Long-Term Obligations	<u>\$ 714,098</u>	<u>\$ 21,210</u>	<u>\$ (14,300)</u>	<u>\$ 721,008</u>
Amount due within one year				<u>\$ 12,190</u>

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 approximately 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, 550 East Hospitality Lane, San Bernardino, California 92408.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019**

ASSETS

Current Assets

Cash and cash equivalents	\$ 55,732,000
Investments	163,352,052
Accounts receivable	13,413,692
Student receivable, net	4,101,347
Due from fiduciary funds	546,711
Prepaid expenses	721,908
Inventories	16,155

Total Current Assets 237,883,865

Noncurrent Assets

Nondepreciable capital assets	33,961,213
Depreciable capital assets, net of depreciation	543,602,565

Total Noncurrent Assets 577,563,778

TOTAL ASSETS 815,447,643

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on refunding	12,978,711
Deferred outflows of resources related to pensions	50,052,864
Deferred outflows of resources related to OPEB	287,288

TOTAL DEFERRED OUTFLOWS OF RESOURCES 63,318,863

LIABILITIES

Current Liabilities

Accounts payable	30,962,791
Accrued interest payable	8,090,198
Due to fiduciary funds	255,007
Unearned revenue	16,640,325
Bonds payable - current portion	12,190,000

Total Current Liabilities 68,138,321

Noncurrent Liabilities

Compensated absences	3,544,547
Bonds payable - noncurrent portion	578,588,867
Claims liability	3,174,783
Aggregate net other postemployment benefits (OPEB) liability	2,111,291
Aggregate net pension obligation	121,398,232

Total Noncurrent Liabilities 708,817,720

TOTAL LIABILITIES 776,956,041

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	12,426,213
Deferred inflows of resources related to OPEB	4,652

TOTAL DEFERRED INFLOWS OF RESOURCES 12,430,865

NET POSITION

Net investment in capital assets	114,974,782
Restricted for:	
Debt service	27,512,077
Capital projects	5,360,349
Educational programs	933,287
Unrestricted (deficit)	(59,400,895)

TOTAL NET POSITION \$ 89,379,600

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, 2019**

OPERATING REVENUES	
Student Tuition and Fees	\$ 20,839,553
Less: Scholarship discount and allowance	(12,717,498)
Net tuition and fees	<u>8,122,055</u>
Grants and Contracts, Noncapital	
Federal	4,383,781
State	30,079,843
Local	2,997,174
Net grants and contracts, noncapital	<u>37,460,798</u>
Auxiliary Enterprise Sales and Charges	
Cafeteria	<u>581,720</u>
TOTAL OPERATING REVENUES	<u><u>46,164,573</u></u>
OPERATING EXPENSES	
Salaries	86,651,580
Employee benefits	41,973,901
Supplies, materials, and other operating expenses and services	29,426,383
Equipment, maintenance, and repairs	7,554,857
Student financial aid	27,232,054
Depreciation	17,778,233
TOTAL OPERATING EXPENSES	<u><u>210,617,008</u></u>
OPERATING LOSS	<u>(164,452,435)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	62,532,460
Local property taxes, levied for general purposes	31,811,821
Taxes levied for other specific purposes	30,628,126
Federal financial aid grants, noncapital	22,332,077
State financial aid grants, noncapital	3,423,592
State taxes and other revenues	4,223,948
Investment income	5,869,551
Interest expense on capital related debt	(28,969,575)
Investment income on capital asset-related debt	451,490
Transfer from fiduciary funds	662,219
Transfer to fiduciary funds	(220,000)
Other nonoperating revenue	4,840,238
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>137,585,947</u>
LOSS BEFORE OTHER REVENUES	<u>(26,866,488)</u>
OTHER REVENUES	
State revenues, capital	230,107
Local revenues, capital	1,927,366
TOTAL OTHER REVENUES	<u>2,157,473</u>
CHANGE IN NET POSITION	<u>(24,709,015)</u>
NET POSITION, BEGINNING OF YEAR	114,088,615
NET POSITION, END OF YEAR	<u><u>\$ 89,379,600</u></u>

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 8,503,134
Federal and State grants and contracts	36,605,943
Payments to or on behalf of employees	(120,799,066)
Payments to vendors for supplies and services	(33,659,872)
Payments to students for scholarships and grants	(27,232,054)
Auxiliary enterprise sales and charges	581,720
Net Cash Flows From Operating Activities	<u>(136,000,195)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	63,384,028
Federal and State financial aid grants	25,755,669
Property taxes	31,811,821
State taxes and other apportionments	1,747,338
Other nonoperating	5,317,646
Net Cash Flows From Noncapital Financing Activities	<u>128,016,502</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(46,352,253)
State revenue, capital projects	230,107
Local revenue, capital projects	1,927,366
Property taxes - related to capital debt	30,628,126
Proceeds from capital debt	11,283,869
Principal paid on capital debt	(14,254,196)
Interest paid on capital debt	(29,712,921)
Interest received on capital asset-related debt	451,490
Net Cash Flows From Capital Financing Activities	<u>(45,798,412)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(394,776)
Interest received from investments	6,695,811
Net Cash Flows From Investing Activities	<u>6,301,035</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

(47,481,070)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

230,878,164

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 183,397,094

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, 2019

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>\$ (164,452,435)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	17,778,233
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables, net	(710,320)
Inventories	(1,655)
Prepaid expenses	125,400
Accounts payable and accrued liabilities	3,083,040
Unearned revenue	236,544
Compensated absences	289,074
Deferred outflows of resources related to pensions	3,776,998
Deferred outflows of resources related to OPEB	8,408
Deferred inflows of resources related to pensions	(5,729,537)
Deferred inflows of resources related to OPEB	4,652
Aggregate net OPEB liability	343,343
Aggregate net pension obligation	9,248,060
Total Adjustments	<u>28,452,240</u>
Net Cash Flows From Operating Activities	<u><u>\$ (136,000,195)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 55,732,000
Cash in county treasury	127,665,094
Total Cash and Cash Equivalents	<u><u>\$ 183,397,094</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 4,792,745</u></u>
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The accompanying notes are an integral part of these financial statements.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

	Retiree OPEB Trust	PARS Trust	Other Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 759,550	\$ 297,171
Investments	8,807,081	80,318,459	1,879,336	434,036
Accounts receivable	-	-	112,762	5,847
Due from primary government	-	-	254,389	618
Prepaid expenses	-	-	15,253	661,929
Other current assets	-	-	33,534	-
Total Assets	<u>8,807,081</u>	<u>80,318,459</u>	<u>3,054,824</u>	<u>\$ 1,399,601</u>
LIABILITIES				
Accounts payable	-	-	149,734	\$ 403,207
Due to primary government	-	-	36,025	510,686
Unearned revenue	-	-	778,486	-
Due to student groups	-	-	-	285,679
Due to KVCR FNX	-	-	-	200,029
Total Liabilities	<u>-</u>	<u>-</u>	<u>964,245</u>	<u>\$ 1,399,601</u>
NET POSITION				
Restricted for postemployment benefits other than pensions	8,807,081	-	-	
Restricted for pension benefits	-	80,318,459	-	
Unrestricted	-	-	2,090,579	
Total Net Position	<u>\$ 8,807,081</u>	<u>\$ 80,318,459</u>	<u>\$ 2,090,579</u>	

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Retiree OPEB Trust	PARS Trust	Other Trust Funds
ADDITIONS			
State revenues	\$ -	\$ -	\$ 270,190
District contributions	295,696	-	-
Local revenues	430,618	5,519,894	2,423,814
Total Additions	<u>726,314</u>	<u>5,519,894</u>	<u>2,694,004</u>
DEDUCTIONS			
Classified salaries	-	-	729,066
Employee benefits	295,696	-	234,457
Books and supplies	-	-	3,887
Services and operating expenditures	73,825	113,463	851,909
Capital outlay	-	-	122,267
Total Deductions	<u>369,521</u>	<u>113,463</u>	<u>1,941,586</u>
OTHER FINANCING SOURCES (USES)			
Transfer from primary government	-	-	220,000
Transfer to primary government	-	-	(662,219)
Other uses	-	-	(168,570)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(610,789)</u>
Change in Net Position	356,793	5,406,431	141,629
Net Position - Beginning of Year	8,450,288	74,912,028	1,948,950
Net Position - End of Year	<u>\$ 8,807,081</u>	<u>\$ 80,318,459</u>	<u>\$ 2,090,579</u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

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.

The following entities met the criterion for inclusion as a "blended" component unit and are consolidated within the financial statements of the District:

- 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 and 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

- Inland Futures Foundation

The Inland Futures Foundation is a legally separate, tax-exempt component unit of the District. The Inland Futures 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 Inland Futures Foundation can only be used by, or for the benefit of, the District, the Inland Futures 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 Inland Futures Foundation can be obtained from the District's Business Office. Condensed component unit information for the Foundation and the Inland Futures Foundation, the District's blended component units, for the year ended June 30, 2019, is as follows:

Condensed Statement of Net Position

	KVCR	
	Educational	Inland Futures
	Foundation, Inc.	Foundation
	<u> </u>	<u> </u>
ASSETS		
Total Assets	\$ 944,064	\$ 367,106
	<u> </u>	<u> </u>
LIABILITIES		
Total Liabilities	598,851	306,515
	<u> </u>	<u> </u>
NET POSITION		
Total Net Position	\$ 345,213	\$ 60,591
	<u> </u>	<u> </u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

	KVCR	
	Educational	Inland Futures
	Foundation, Inc.	Foundation
	<u> </u>	<u> </u>
REVENUES		
Total Revenues	\$ 1,746,172	\$ 285,031
EXPENSES		
Total Expenses	<u>1,051,490</u>	<u>507,487</u>
Transfer from primary government	-	220,000
Transfer to primary government	<u>(650,000)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>44,682</u>	<u>(2,456)</u>
NET POSITION, BEGINNING OF YEAR	300,531	63,047
NET POSITION, END OF YEAR	<u>\$ 345,213</u>	<u>\$ 60,591</u>

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 government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. 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, noncapital grants and contracts, and auxiliary activities through the cafeteria.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid 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 financial aid grants 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 financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. 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:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement 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.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 has recorded an allowance for uncollectible accounts related to student receivables. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$1,174,507 for the year ended June 30, 2019.

Prepaid Expenses

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

Inventories

Inventories consist of 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 furniture 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 government-wide financial statements.

Debt Premiums

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Deferred Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 deferred charges on refunding of debt, and for pension and OPEB related items.

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 pension and OPEB related items.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The liability for this benefit is reported on the government-wide financial statements.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 payable, compensated absences, claims liability, aggregate net OPEB liability and the aggregate net pension obligation 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.

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.

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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 government-wide financial statements report \$33,805,713 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG) 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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 for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

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

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

Primary government	\$ 219,084,052
Fiduciary funds	92,495,633
Total Deposits and Investments	<u>\$ 311,579,685</u>
Cash on hand and in banks	\$ 55,787,171
Cash in revolving	1,001,550
Cash in County Treasury	129,978,466
Investments	124,812,498
Total Deposits and Investments	<u>\$ 311,579,685</u>

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing 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 evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$129,978,466 with the San Bernardino County Investment Pool with a weighted maturity of 424 days. In addition, the District maintains investments of \$35,686,958 and \$89,125,540 in Short-Term Securities and Mutual Funds, respectively.

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 AA+/SI by Fitch Ratings agency. All other investments are not required to be rated, nor have they been rated as of June 30, 2019.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the District's bank balance of \$5,710,482 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 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Bernardino County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
San Bernardino County Investment Pool	\$ 130,645,032	\$ -	\$ 130,645,032
Short-Term Securities	35,686,958	35,686,958	-
Mutual Funds	89,125,540	89,125,540	-
Total	<u>\$ 255,457,530</u>	<u>\$ 124,812,498</u>	<u>\$ 130,645,032</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, 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	\$ 1,558,682	\$ -
State Government		
Categorical aid	4,324,125	-
Lottery	740,529	-
Other State sources	2,384,227	-
Local Sources		
Interest	562,592	14,562
Rental income	1,587,191	-
Other local sources	2,256,346	104,047
Total	<u>\$ 13,413,692</u>	<u>\$ 118,609</u>
Student receivable	\$ 5,275,854	
Less allowance for bad debt	<u>(1,174,507)</u>	
Student receivable, net	<u>\$ 4,101,347</u>	

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 4,518,454	\$ 2,843,591	\$ -	\$ 7,362,045
Construction in progress	92,573,442	58,191,904	124,166,178	26,599,168
Total Capital Assets Not Being Depreciated	<u>97,091,896</u>	<u>61,035,495</u>	<u>124,166,178</u>	<u>33,961,213</u>
Capital Assets Being Depreciated				
Land improvements	79,722,893	1,133,591	-	80,856,484
Buildings and improvements	487,454,592	114,474,689	-	601,929,281
Furniture and equipment	29,016,358	5,715,604	100,888	34,631,074
Total Capital Assets Being Depreciated	<u>596,193,843</u>	<u>121,323,884</u>	<u>100,888</u>	<u>717,416,839</u>
Total Capital Assets	<u>693,285,739</u>	<u>182,359,379</u>	<u>124,267,066</u>	<u>751,378,052</u>
Less Accumulated Depreciation				
Land improvements	53,388,818	5,823,909	-	59,212,727
Buildings and improvements	79,455,905	10,672,129	-	90,128,034
Furniture and equipment	23,292,206	1,282,195	100,888	24,473,513
Total Accumulated Depreciation	<u>156,136,929</u>	<u>17,778,233</u>	<u>100,888</u>	<u>173,814,274</u>
Net Capital Assets	<u>\$ 537,148,810</u>	<u>\$ 164,581,146</u>	<u>\$ 124,166,178</u>	<u>\$ 577,563,778</u>

Depreciation expense for the year was \$17,778,233.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 3,228,683	\$ 54,977
Apportionment	4,087,619	-
Construction	12,859,422	-
State categorical	89,220	-
Other	10,697,847	497,964
Total	<u>\$ 30,962,791</u>	<u>\$ 552,941</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal financial assistance	\$ 6,024	\$ -
State categorical aid	9,501,062	-
Enrollment fees	4,296,457	-
Other local	2,836,782	778,486
Total	<u>\$ 16,640,325</u>	<u>\$ 778,486</u>

NOTE 9 - 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 primary government 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, 2019, the amount owed to the fiduciary funds from the primary government was \$255,007, and the amount owed to primary government from the fiduciary funds was \$546,711.

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 2019 fiscal year, the primary government transferred \$220,000 to the fiduciary funds, and the fiduciary funds transferred \$662,219 to the primary government.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
General obligation bonds	\$ 555,806,929	\$ 11,283,869	\$ 11,525,000	\$ 555,565,798	\$ 12,190,000
Premium on general obligation bonds	37,942,265	-	2,729,196	35,213,069	-
Total Bonds Payable	<u>593,749,194</u>	<u>11,283,869</u>	<u>14,254,196</u>	<u>590,778,867</u>	<u>12,190,000</u>
Other Liabilities					
Compensated absences	3,255,473	289,074	-	3,544,547	-
Claims liability	3,174,783	-	-	3,174,783	-
Aggregate net OPEB liability	1,767,948	389,519	46,176	2,111,291	-
Aggregate net pension obligation	112,150,172	9,248,060	-	121,398,232	-
Total Other Liabilities	<u>120,348,376</u>	<u>9,926,653</u>	<u>46,176</u>	<u>130,228,853</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 714,097,570</u>	<u>\$ 21,210,522</u>	<u>\$ 14,300,372</u>	<u>\$ 721,007,720</u>	<u>\$ 12,190,000</u>

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. Payments related to the aggregate net OPEB liability 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. For further details of the aggregate net OPEB liability and aggregate net pension obligation see Note 11 and Note 13, respectively.

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. Interest rates on the bonds range from 6.02 to 7.63 percent. As of June 30, 2019, \$189,999,797 had been issued, and \$25,205,335 was outstanding.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The San Bernardino Community College District 2005 Refunding Bonds

In March 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, 2019, the outstanding balance was \$10,670,706.

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. Interest rates on the bonds range from 2.00 to 7.63 percent. As of June 30, 2019, \$500,000,000 had been issued, and \$214,174,757 was outstanding.

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 \$189,325,000 and \$17,780,000, respectively.

The San Bernardino Community College District 2015 Refunding Bonds

In September 2015, the District issued \$55,975,000 in general obligation bonds to advance refund the 2002 Series C and a portion of 2005 Refunding Bonds. Interest rates on the bonds range from 2.00 to 5.00 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, 2019, the outstanding balance was \$52,195,000.

The San Bernardino Community College District 2017 Refunding (Crossover) Series A Bonds

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series A Bonds in the amount of \$14,145,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00 to 5.00 percent. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of \$3,404,250 and an economic gain of \$2,564,502 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.857 percent. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2019, the outstanding balance was \$14,145,000.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The San Bernardino Community College District 2017 Refunding (Crossover) Series B Bonds Series

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series B Bonds in the amount of \$32,070,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00 to 5.00 percent. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of \$6,344,081 and an economic gain of \$4,415,584 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.857 percent. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2019, the outstanding balance was \$32,070,000.

Debt Maturity

General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
					Outstanding July 1, 2018	Additions	Redeemed	Outstanding June 30, 2019
2002 D	6/9/2009	8/1/2033	6.02%-6.79%	\$ 4,999,797	\$ 9,467,138	\$ 738,197	\$ -	\$ 10,205,335
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	9,496,890	1,173,816	-	10,670,706
2008 A	12/17/2008	8/1/2018	3.75%-6.50%	140,000,000	2,335,000	-	2,335,000	-
2008 B	6/9/2009	8/1/2048	2.60%-7.19%	73,102,389	125,673,062	8,961,213	1,690,000	132,944,275
2008 C	6/9/2009	8/1/2044	7.43%-7.63%	45,210,000	45,210,000	-	-	45,210,000
2008 D	9/22/2015	8/1/2048	2.00%-5.00%	37,536,960	36,054,839	410,643	445,000	36,020,482
Refunding								
2013 Series A	4/10/2013	8/1/2033	0.50%-5.00%	198,570,000	190,655,000	-	1,330,000	189,325,000
Refunding								
2013 Series B	4/10/2013	8/1/2021	0.49%-3.06%	32,460,000	23,505,000	-	5,725,000	17,780,000
Refunding								
2015	9/22/2015	8/1/2031	2.00%-5.00%	55,975,000	52,195,000	-	-	52,195,000
Refunding								
2017 Series A	12/12/2017	8/1/2033	4.00%-5.00%	14,145,000	14,145,000	-	-	14,145,000
Refunding								
2017 Series B	12/12/2017	8/1/2034	4.00%-5.00%	32,070,000	32,070,000	-	-	32,070,000
				Subtotal General Obligation Bonds	555,806,929	11,283,869	11,525,000	555,565,798
				Premium on debt	37,942,265	-	2,729,196	35,213,069
					\$ 593,749,194	\$ 11,283,869	\$ 14,254,196	\$ 590,778,867

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	1,098,073	716,927	1,815,000
2030-2034	9,107,262	17,967,738	27,075,000
Total	\$ 10,205,335	\$ 18,684,665	\$ 28,890,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ -	\$ 1,144,500	\$ 1,144,500
2021	-	1,144,500	1,144,500
2022	-	1,144,500	1,144,500
2023	-	1,144,500	1,144,500
2024	-	1,144,500	1,144,500
2025-2029	-	5,722,500	5,722,500
2030-2034	15,000,000	4,578,000	19,578,000
Total	\$ 15,000,000	\$ 16,023,000	\$ 31,023,000

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	1,221,709	413,291	1,635,000
2023	4,918,043	2,476,957	7,395,000
2024	4,530,954	3,124,046	7,655,000
Total	\$ 10,670,706	\$ 6,014,294	\$ 16,685,000

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Interest to Maturity	Total
2020	\$ 1,744,664	\$ 100,336	\$ 1,005,019	\$ 2,850,019
2021	-	-	2,010,038	2,010,038
2022	124,758	40,242	2,010,038	2,175,038
2023	229,880	110,120	2,010,038	2,350,038
2024	317,419	207,581	-	525,000
2025-2029	2,351,632	3,253,368	-	5,605,000
2030-2034	9,067,351	2,512,649	-	11,580,000
2035-2039	60,059,937	100,565,063	-	160,625,000
2040-2044	-	-	-	-
2045-2049	59,048,634	338,291,366	-	397,340,000
Total	\$ 132,944,275	\$ 445,080,725	\$ 7,035,133	\$ 585,060,133

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

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ -	\$ 3,387,103	\$ 3,387,103
2021	-	3,387,103	3,387,103
2022	-	3,387,103	3,387,103
2023	-	3,387,103	3,387,103
2024	-	3,387,103	3,387,103
2025-2029	-	16,935,515	16,935,515
2030-2034	-	16,935,515	16,935,515
2035-2039	-	16,935,515	16,935,515
2040-2044	31,210,000	6,500,452	37,710,452
2045	14,000,000	534,100	14,534,100
Total	\$ 45,210,000	\$ 74,776,612	\$ 119,986,612

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ -	\$ 1,313,250	\$ 1,313,250
2021	58,054	1,946	1,317,308	1,377,308
2022	108,047	6,953	1,321,781	1,436,781
2023	254,649	25,351	1,335,031	1,615,031
2024	301,999	43,001	1,341,312	1,686,312
2025-2029	2,530,332	634,668	6,595,936	9,760,936
2030-2034	3,450,386	2,564,614	6,817,903	12,832,903
2035-2039	2,637,445	3,442,555	6,733,918	12,813,918
2040-2044	8,199,570	2,235,430	6,048,707	16,483,707
2045-2049	18,480,000	-	2,508,000	20,988,000
Total	<u>\$ 36,020,482</u>	<u>\$ 8,954,518</u>	<u>\$ 35,333,146</u>	<u>\$ 80,308,146</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 4,275,000	\$ 8,444,300	\$ 12,719,300
2021	4,890,000	8,236,550	13,126,550
2022	5,765,000	7,970,175	13,735,175
2023	6,625,000	7,660,425	14,285,425
2024	7,640,000	-	7,640,000
2025-2029	90,265,000	-	90,265,000
2030-2034	69,865,000	-	69,865,000
Total	<u>\$ 189,325,000</u>	<u>\$ 32,311,450</u>	<u>\$ 221,636,450</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ 6,070,000	\$ 415,430	\$ 6,485,430
2021	6,460,000	249,213	6,709,213
2022	5,250,000	80,194	5,330,194
Total	<u>\$ 17,780,000</u>	<u>\$ 744,837</u>	<u>\$ 18,524,837</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The 2015 General Obligation Series B Refunding Bonds mature through August 1, 2031, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 2,609,750	\$ 2,609,750
2021	-	2,609,750	2,609,750
2022	-	2,609,750	2,609,750
2023	-	2,609,750	2,609,750
2024	-	2,609,750	2,609,750
2025-2029	11,305,000	12,766,125	24,071,125
2030-2032	40,890,000	3,189,500	44,079,500
Total	<u>\$ 52,195,000</u>	<u>\$ 29,004,375</u>	<u>\$ 81,199,375</u>

The 2017 General Obligation Series A Refunding (Crossover) Bonds mature through August 1, 2033, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 583,550	\$ 583,550
2021	-	583,550	583,550
2022	-	583,550	583,550
2023	-	583,550	583,550
2024	-	583,550	583,550
2025-2029	-	2,917,750	2,917,750
2030-2034	14,145,000	2,323,625	16,468,625
Total	<u>\$ 14,145,000</u>	<u>\$ 8,159,125</u>	<u>\$ 22,304,125</u>

The 2017 General Obligation Series B Refunding (Crossover) Bonds mature through August 1, 2034, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2020	\$ -	\$ 1,355,700	\$ 1,355,700
2021	-	1,355,700	1,355,700
2022	-	1,355,700	1,355,700
2023	-	1,355,700	1,355,700
2024	-	1,355,700	1,355,700
2025-2029	955,000	6,685,375	7,640,375
2030-2034	7,435,000	6,238,875	13,673,875
2035	23,680,000	473,600	24,153,600
Total	<u>\$ 32,070,000</u>	<u>\$ 20,176,350</u>	<u>\$ 52,246,350</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Compensated Absences

At June 30, 2019, the liability for compensated absences was \$3,544,547.

Aggregate Net OPEB Liability

At June 30, 2019, the liability for the aggregate net OPEB liability amounted to \$2,111,291. See Note 11 for additional information.

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$121,398,232. See Note 13 for additional information.

NOTE 11 - AGGREGATE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 1,652,713	\$ 287,288	\$ 4,652	\$ 402,579
Medicare Premium Payment	458,578	-	-	(46,176)
Total	<u>\$ 2,111,291</u>	<u>\$ 287,288</u>	<u>\$ 4,652</u>	<u>\$ 356,403</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the Plan is vested in District management. Management of the trust assets is vested with the Benefits Trust Company.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	27
Active employees	659
	<hr/>
	686
	<hr/> <hr/>

San Bernardino Community College District Futuris Trust

The District's Futuris Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the San Bernardino Community College District Retirement Board as directed by the investment alternative choice selected by the Board. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed \$287,288 to the Plan, which was used for current premiums.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Large Cap	40%
U.S. Small Cap	20%
Long-Term Corporate Bonds	20%
Long-Term Government Bonds	10%
Short-Term Government Fixed	10%

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of \$1,652,713 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2017. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	\$ 10,103,001
Plan fiduciary net position	(8,450,288)
District's net OPEB liability	<u>\$ 1,652,713</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>83.64%</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.00 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.00 percent

The discount rate was based on the assumed long-term expected rate of return on plan assets.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large Cap	7.8%
U.S. Small Cap	7.8%
Long-Term Corporate Bonds	5.3%
Long-Term Government Bonds	5.3%
Short-Term Government Fixed	3.3%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 9,299,047	\$ 8,035,853	\$ 1,263,194
Service cost	666,828	-	666,828
Interest	424,414	-	424,414
Contributions - employer	-	287,288	(287,288)
Net investment income	-	487,707	(487,707)
Administrative expense	-	(73,272)	73,272
Benefit payments	(287,288)	(287,288)	-
Net change in total OPEB liability	<u>803,954</u>	<u>414,435</u>	<u>389,519</u>
Balance at June 30, 2018	<u><u>\$ 10,103,001</u></u>	<u><u>\$ 8,450,288</u></u>	<u><u>\$ 1,652,713</u></u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the current discount rate, as well as what the District's net OPEB 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 OPEB Liability
1% decrease (5.00%)	\$ 2,386,624
Current discount rate (6.00%)	1,652,713
1% increase (7.00%)	984,442

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

<u>Health Care Cost Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.00%)	\$ 900,068
Current health care cost trend rate (4.00%)	1,652,713
1% increase (5.00%)	2,446,310

Deferred Outflows and Inflows of Resources related to OPEB

At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB for the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 287,288	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	4,652
Total	<u>\$ 287,288</u>	<u>\$ 4,652</u>

The deferred inflows of resources related to the difference between projected an actual earnings on OPEB plan investments will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ (1,551)
2021	(1,551)
2022	(1,550)
	<u>\$ (4,652)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$458,578 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, was 0.1198 percent and 0.1200 percent, respectively, resulting in a net decrease in the proportionate share of 0.0002 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of (\$46,176).

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.87%)	\$ 507,210
Current discount rate (3.87%)	458,578
1% increase (4.87%)	414,666

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 418,177
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	458,578
1% increase (4.7% Part A and 5.1% Part B)	502,028

NOTE 12 - RISK MANAGEMENT

Property and Liability 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, 2019, 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Workers' Compensation

For fiscal year 2018-2019, 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 13 - 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 California State Teachers' Retirement System (CalSTRS) and classified employees are members of California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, pension expense, and deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 61,345,890	\$ 22,943,547	\$ 8,427,378	\$ 8,358,458
CalPERS	60,052,342	27,109,317	3,998,835	11,969,785
Total	<u>\$ 121,398,232</u>	<u>\$ 50,052,864</u>	<u>\$ 12,426,213</u>	<u>\$ 20,328,243</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	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	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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, 2019, are presented above, and the District's total contributions were \$6,709,691.

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

At June 30, 2019, 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	\$ 61,345,890
State's proportionate share of net pension liability associated with the District	35,123,391
Total	<u><u>\$ 96,469,281</u></u>

The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0667 percent and 0.0663 percent, respectively, resulting in a net increase in the proportionate share of 0.0004 percent.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$8,358,458. In addition, the District recognized pension expense and revenue of \$4,126,206 for support provided by the State. At June 30, 2019, 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	\$ 6,709,691	\$ -
Net change in proportionate share of net pension liability	6,513,376	5,174,091
Difference between projected and actual earnings on pension plan investments	-	2,362,203
Difference between expected and actual experience in the measurement of the total pension liability	190,231	891,084
Changes of assumptions	9,530,249	-
Total	<u>\$ 22,943,547</u>	<u>\$ 8,427,378</u>

The deferred outflows 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 subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 512,902
2021	(372,174)
2022	(1,981,797)
2023	(521,134)
Total	<u>\$ (2,362,203)</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,571,979
2021	2,571,979
2022	2,571,979
2023	634,258
2024	1,773,538
Thereafter	44,948
Total	<u>\$ 10,168,681</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	\$ 89,864,550
Current discount rate (7.10%)	61,345,890
1% increase (8.10%)	37,701,153

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	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	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above, and the total District contributions were \$6,323,031.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$60,052,342. The net pension liability was measured as of June 30, 2018. 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. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2252 percent and 0.2131 percent, respectively, resulting in a net increase in the proportionate share of 0.0121 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$11,969,785. At June 30, 2019, 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	\$ 6,323,031	\$ -
Net change in proportionate share of net pension liability	10,360,949	3,998,835
Difference between projected and actual earnings on pension plan investments	492,564	-
Difference between expected and actual experience in the measurement of the total pension liability	3,936,812	-
Changes of assumptions	5,995,961	-
Total	<u>\$ 27,109,317</u>	<u>\$ 3,998,835</u>

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 subsequent fiscal year.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,791,563
2021	428,436
2022	(1,372,981)
2023	(354,454)
Total	<u>\$ 492,564</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 5,314,968
2021	9,105,845
2022	1,874,074
Total	<u>\$ 16,294,887</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of Scale MP-2016.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 87,433,338
Current discount rate (7.15%)	60,052,342
1% increase (8.15%)	37,335,886

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a fiduciary fund of the District. As of June 30, 2019, the balance of the trust was \$80,318,459.

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 year ended June 30, 2019, was \$103,194.

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, 2019, which amounted to \$2,756,702 (9.828 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 year ended June 30, 2019. 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 operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–19 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

NOTE 14 - 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:

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 517 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 46 community college districts and two joint powers authority members. 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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 15 - LEASE REVENUE

The District has property held for lease. Lease agreements have been entered into with various lessors for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2020	\$ 3,790,842
2021	3,831,246
2022	3,358,255
2023	2,595,490
2024	2,283,516
Thereafter	8,305,232
Total	<u><u>\$ 24,164,581</u></u>

NOTE 16 - 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, 2019.

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, 2019.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Operating Leases

The District leases land on Box Springs Mountain for KVCR's broadcasting equipment. The District leases land in the City of Desert Hot Springs for additional broadcasting equipment. The District also leases equipment for general use. Payout amounts vary by lease agreement.

Year Ending June 30,	Lease Payment
2020	\$ 387,917
2021	225,683
2022	140,012
2023	41,909
2024	35,415
Thereafter	290,485
Total	<u><u>\$ 1,121,421</u></u>

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Estimated Date of Completion
CHC LADM Renovation	\$ 866,000	11/30/2019
KVCR UHF to VHF Transition Project	531,808	7/30/2019
KVCR Tower Project	416,701	7/30/2019
KVCR Technology Core Modernization Project	6,420,796	6/30/2020
Print Shop Relocation	1,408,816	1/31/2020
Two Parkside	3,049,468	1/31/2020
SBVC North Hall Roof Replacement	384,784	1/31/2020
SBVC Parking Repaving and Restripping	9,746	8/15/2019
Highland Avenue Project	2,996,500	6/30/2022
	<u><u>\$ 16,084,619</u></u>	

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 16 - SUBSEQUENT EVENTS

On December 12, 2019, the District issued \$200,000,000 of Election 2018 Series A (Federally Tax-exempt) and \$100,000,000 of Election of 2018 Series A-1 (Federally Taxable) General Obligation Bonds. The proceeds of the bonds will be issued to finance the acquisition, construction, modernization, and equipping of District sites and facilities, and to pay the costs of issuing the bonds. The bonds will be repaid by the District through August 1, 2049, with semi-annual interest payments commencing on February 1, 2020, at rates ranging from 3.00 percent to 4.00 percent.

On December 12, 2019, the District issued \$143,520,000 of 2019 General Obligation Refunding Bonds. The proceeds of the bonds were issued to advance refund a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series D, advance refund a portion of the District's outstanding 2013 General Obligation Refunding Bonds, Series A, advance refund a portion the District's outstanding 2015 General Obligation Refunding Bonds, and pay the costs of issuing the 2019 General Obligation Refunding Bonds.



REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 666,828	\$ 624,455
Interest	424,414	519,126
Benefit payments	(287,288)	(386,897)
Net changes in total OPEB liability	<u>803,954</u>	<u>756,684</u>
Total OPEB Liability - beginning	9,299,047	8,542,363
Total OPEB Liability - ending (a)	<u><u>\$ 10,103,001</u></u>	<u><u>\$ 9,299,047</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 287,288	\$ 386,897
Net investment income	487,707	749,118
Benefit payments	(287,288)	(386,897)
Administrative expense	(73,272)	(68,535)
Net change in plan fiduciary net position	<u>414,435</u>	<u>680,583</u>
Plan fiduciary net position - beginning	8,035,853	7,355,270
Plan fiduciary net position - ending (b)	<u>\$ 8,450,288</u>	<u>\$ 8,035,853</u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 1,652,713</u></u>	<u><u>\$ 1,263,194</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>83.64%</u>	<u>86.42%</u>
Covered-employee payroll	<u>\$ 67,303,034</u>	<u>\$ 62,292,241</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>2.46%</u>	<u>2.03%</u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	<u>4.22%</u>	<u>9.90%</u>

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.1198%	0.1200%
District's proportionate share of the net OPEB liability	\$ 458,578	\$ 504,754
District's covered-employee payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.0667%</u>	<u>0.0663%</u>	<u>0.0682%</u>
District's proportionate share of the net pension liability	<u>\$ 61,345,890</u>	<u>\$ 61,286,649</u>	<u>\$ 55,196,567</u>
State's proportionate share of the net pension liability associated with the District	<u>35,123,391</u>	<u>36,256,664</u>	<u>31,422,421</u>
Total	<u><u>\$ 96,469,281</u></u>	<u><u>\$ 97,543,313</u></u>	<u><u>\$ 86,618,988</u></u>
District's covered-employee payroll	<u>\$ 37,332,356</u>	<u>\$ 35,577,170</u>	<u>\$ 34,885,918</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>164.32%</u>	<u>172.26%</u>	<u>158.22%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.2252%</u>	<u>0.2131%</u>	<u>0.2204%</u>
District's proportionate share of the net pension liability	<u>\$ 60,052,342</u>	<u>\$ 50,863,523</u>	<u>\$ 21,155,192</u>
District's covered-employee payroll	<u>29,970,678</u>	<u>26,715,071</u>	<u>27,478,113</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>200.37%</u>	<u>190.39%</u>	<u>76.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0779%</u>	<u>0.0581%</u>
\$ 52,472,482	\$ 33,957,179
<u>27,752,159</u>	<u>20,504,811</u>
<u>\$ 80,224,641</u>	<u>\$ 54,461,990</u>
<u>\$ 33,717,601</u>	<u>\$ 30,941,662</u>
<u>155.62%</u>	<u>109.75%</u>
<u>74%</u>	<u>77%</u>
<u>0.1032%</u>	<u>0.1033%</u>
<u>\$ 32,474,152</u>	<u>\$ 23,974,911</u>
<u>24,617,297</u>	<u>21,652,411</u>
<u>131.92%</u>	<u>110.73%</u>
<u>79%</u>	<u>83%</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS			
Contractually required contribution	\$ 6,709,691	\$ 5,387,059	\$ 4,475,608
Contributions in relation to the contractually required contribution	<u>(6,709,691)</u>	<u>(5,387,059)</u>	<u>(4,475,608)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 41,214,318</u>	<u>\$ 37,332,356</u>	<u>\$ 35,577,170</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>
CalPERS			
Contractually required contribution	\$ 6,323,031	\$ 4,654,746	\$ 3,710,189
Contributions in relation to the contractually required contribution	<u>(6,323,031)</u>	<u>(4,654,746)</u>	<u>(3,710,189)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 35,007,369</u>	<u>\$ 29,970,678</u>	<u>\$ 26,715,071</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
\$ 3,743,259	\$ 2,994,123
<u>(3,743,259)</u>	<u>(2,994,123)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 34,885,918</u>	<u>\$ 33,717,601</u>
<u>10.73%</u>	<u>8.88%</u>
\$ 3,255,332	\$ 2,897,702
<u>(3,255,332)</u>	<u>(2,897,702)</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 27,478,113</u>	<u>\$ 24,617,297</u>
<u>11.847%</u>	<u>11.771%</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations.

Changes of Assumptions – There were no changes of assumptions since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



SUPPLEMENTARY INFORMATION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2019

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
John Longville	President	2020
Dr. Anne Viricel	Vice President	2020
Joseph Williams	Clerk	2022
Gloria Macias Harrison	Trustee	2020
Dr. Stephanie Houston	Trustee	2022
Dr. Donald L. Singer	Trustee	2022
Frank Reyes	Trustee	2020
Elijah Gerard	Student Trustee, CHC	2020
Maritza Mariscal-Medina	Student Trustee, SBVC	2020

ADMINISTRATION

Bruce Baron, M.S.	Chancellor
Diana Rodriguez, M.Ed.	President - San Bernardino Valley College
Dr. Kevin Horan, Ed.	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, 2019**

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			
Federal Pell Grant Program	84.063		\$ 21,384,839
Federal Pell Grant Program Administrative Allowance	84.063		36,020
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		947,238
FSEOG Administrative Allowance	84.007		35,488
Federal Work-Study Program	84.033		358,720
Federal Work-Study Program Administrative Allowance	84.033		17,936
Federal Perkins Loan	84.038		145,898
Total Student Financial Assistance Cluster			<u>22,926,139</u>
TRIO Cluster			
TRIO - Student Support Services	84.042A		294,248
Total TRIO Cluster			<u>294,248</u>
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048	18-C01-046	375,407
Title I, CTEA Transitions	84.048A	18-C01-046	34,212
Passed through the State of California Department of Rehabilitation			
Workability III Program	84.126A	30047	139,991
Total U.S. Department of Education			<u>23,769,997</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		4,733
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	04375-CACFP-36- CC-CS	233,935
National Institute of Food and Agriculture Grants	10.226		104,943
Total U.S. Department of Agriculture			<u>338,878</u>
U.S. DEPARTMENT OF LABOR			
Passed through from Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26434-14-60- A-6	78,753

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through California State University of San Bernardino (CSUSB) Success in STEM at Hispanic Serving Institutions	47.076	[1]	\$ 63,993
Passed through University Enterprises Corporation at CSUSB Pre and Post Transfer Success in STEM at Hispanic Serving Institutions	47.076	1644261	96,526
Total Research and Development Cluster			<u>160,519</u>
Total National Science Foundation			<u>160,519</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Temporary Assistance for Needy Families (TANF) Cluster			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF) Passed through from California Department of Social Services (CDSS)	93.558	[1]	146,947
San Bernardino County TANF program	93.558	[1]	75,000
Total TANF Cluster			<u>221,947</u>
Passed through from the California Community Colleges Chancellor's Office			
Foster and Kinship Care Education Program	93.658	[1]	71,014
Child Care and Development Fund (CCDF) Cluster			
Passed through the California Department of Education			
Child Care and Development Block Grant	93.575	15136	94,799
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	206,222
Total CCDF Cluster			<u>301,021</u>
Total U.S. Department of Health and Human Services			<u>593,982</u>
U.S. DEPARTMENT OF COMMERCE			
Passed through California Manufacturers and Technology Consulting			
Manufacturing Extension Partnership	11.611	70NANB15H196	328,833
Total Expenditures of Federal Awards			<u>\$ 25,275,695</u>

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Prop 30 - EPA	\$ 14,829,152	\$ -	\$ 14,829,152
AB104 ADULT ED BLOCK GRANT	1,853,736	827,301	2,681,037
AEBG DATA and ACCOUNTABILITY	-	90,891	90,891
SFAA-BFAP ADM ALLOWANCE	759,054	-	759,054
HUNGER FREE CAMPUS SUPPORT	127,329	32,593	159,922
ZERO TEXTBOOK COST DEGREE	2,000	120,270	122,270
MESA GRANT	74,515	-	74,515
ENROLLMENT GROWHT/NURSING PGM	171,697	-	171,697
AB798 TEXTBOOK AFFORDABILITY	25,925	-	25,925
DREAMER STUDENTS	-	37,590	37,590
VETERANS RESOURCE CENTER	101,099	73,839	174,938
FINANCIAL AID TECHNOLOGY	268,402	-	268,402
CERTIFIED NURSE ASSISTANT PROGRAM	117,500	-	117,500
EOPS-CARE PROGRAM	211,843	-	211,843
EOPS	1,543,805	-	1,543,805
HANDICAPPED STUDENT PROGRAMS	1,224,124	-	1,224,124
GENERAL CHILD CARE and DEVELOPMENT-VC	726,946	-	726,946
GENERAL CHILD CARE and DEVELOPMENT- PASSED THROUGH FROM COUNTY OF SAN BERNARDINO	160,000	-	160,000
CALIFORNIA STATE PRESCHOOL PROGRAM	1,887,636	-	1,887,636
CHILD CARE FOOD PROGRAM	12,662	-	12,662
FOSTER PARENTS	100,216	-	100,216
YOUTH EMPOWERMENT STR	22,500	-	22,500
STUDENT EQUITY GRANT	1,978,551	872,213	2,850,764
TELECOMMUNICATIONS TECHNOLOGY	-	5,641	5,641
BASIC SKILLS	792,045	776,982	1,569,027
INSTRUCTIONAL EQUIPMENT ALLOCATION	-	96,005	96,005
BLOCK GRANT FY-98	386,443	1,568,984	1,955,427
STUDENT SUCCEs and SUPPORT PROGRAM	4,759,012	1,324,435	6,083,447
LOTTERY - RESTRICTED	1,099,358	-	1,099,358
3C MEDIA SOLUTIONS	-	52,712	52,712
PROP 39 CLEAN ENERGY FUNDING	-	269,707	269,707
ALTERNATE TEXT PRODUCTION CENTER	1,700,000	-	1,700,000
EDUCATIONAL PLANNING INITITATIVE	-	95,677	95,677

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 14,657,498	\$ 171,654	\$ -	\$ -	\$ 14,829,152	\$ 14,829,152
2,681,037	-	1,377,912	-	1,303,125	1,303,125
90,891	-	-	-	90,891	90,891
759,054	-	-	-	759,054	759,054
159,922	-	135,040	-	24,882	24,882
54,826	10,815	-	-	65,641	65,641
-	18,152	-	-	18,152	18,152
171,697	-	-	10,368	161,329	161,329
-	490	-	-	490	490
37,590	-	37,590	-	-	-
174,938	-	132,712	-	42,226	42,226
268,402	-	241,297	-	27,105	27,105
117,500	-	117,500	-	-	-
211,843	-	-	3,575	208,268	208,268
1,543,805	-	-	31,857	1,511,948	1,511,948
1,224,124	-	-	-	1,224,124	1,224,124
530,439	162,731	-	-	693,170	693,170
121,330	38,155	-	-	159,485	159,485
1,841,831	45,805	-	-	1,887,636	1,887,636
10,315	2,347	-	-	12,662	7,419
93,160	-	-	4,694	88,466	88,466
8,749	13,751	-	-	22,500	22,500
2,958,064	-	1,026,995	-	1,931,069	1,931,069
5,641	-	5,641	-	-	-
1,569,027	-	542,369	-	1,026,658	1,026,658
96,005	-	96,005	-	-	-
1,904,453	-	-	-	1,904,453	1,904,453
6,083,447	-	982,264	-	5,101,183	5,101,183
735,605	363,753	-	-	1,099,358	1,099,358
52,712	-	3,572	-	49,140	49,140
269,707	-	50,301	-	219,406	219,406
-	1,442,195	-	-	1,442,195	1,442,195
60,430	-	34,850	-	25,580	25,580

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
CALWORKS	\$ 838,718	\$ -	\$ 838,718
PROP 39 REGION F COLLEGES/SBVC	20,000	428	20,428
ECONOMIC DEVT FOR DISTRESSED AREAS	750,000	-	750,000
EQUAL EMPLOYMENT OPPORTUNITY	50,000	90,712	140,712
MENTAL HEALTH SUPPORT	126,765	-	126,765
SWP IE CYBERHUB CENTERS/RCC	41,400	125,905	167,305
GUIDED PATHWAYS	597,211	497,676	1,094,887
CAMPUS SAFETY and SEXUAL ASSAULT	-	36,549	36,549
RIVERSIDE COUNTY REGIONAL TRAINING	-	181	181
ETP #6	-	138,257	138,257
STRONG WORKFORCE PROGRAM	3,119,885	1,441,750	4,561,635
REGIONAL SHARES/STRONG WORKFORCE	2,017,753	1,522,237	3,539,990
MIDDLE COLLEGE HIGH SCHOOL	100,000	-	100,000
ICT/DIGITAL MEDIA-1042AB	35,000	25,206	60,206
ICT/DIGITAL MEDIA-1070AB	200,000	-	200,000
CALTRANS - PAROLEE WORKCREW 7/16	-	369,625	369,625
CTE DATA UNLOCKED INITIATIVE	-	62,346	62,346
INNOVATION & EFFECTIVENESS GRANT	-	48,778	48,778
SWP/P17 CLOUD BASED NETLAB	384,449	372,932	757,381
SWP - EMP/SKILLS CREATE PATHWAYS	122,863	-	122,863
ETP #7	1,433,728	-	1,433,728
VETERANS RESOURCE CENTER	298,629	-	298,629
STAFF DEVELOPMENT	-	248	248
CLASSIFIED PROFESSIONAL DEVELOPMENT	80,279	-	80,279
Total State Awards			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 838,718	\$ -	\$ -	\$ 38,726	\$ 799,992	\$ 799,992
428	19,858	428	-	19,858	19,858
750,000	-	750,000	-	-	-
140,712	-	71,777	-	68,935	68,935
126,765	-	103,326	-	23,439	23,439
69,795	40,147	-	-	109,942	109,942
1,094,887	-	968,806	-	126,081	126,081
36,549	-	36,549	-	-	-
181	-	181	-	-	-
3,272	134,985	-	-	138,257	138,257
4,561,635	-	2,529,697	-	2,031,938	2,031,938
403,833	670,532	-	-	1,074,365	1,074,365
-	79,506	-	-	79,506	79,506
60,206	-	-	-	60,206	60,206
80,000	55,372	-	-	135,372	135,372
-	369,625	-	-	369,625	369,625
62,346	-	47,475	-	14,871	14,871
48,778	-	48,778	-	-	-
57,248	142,354	-	-	199,602	199,602
66,980	30,217	-	-	97,197	97,197
-	853,624	-	-	853,624	853,624
79,470	21,810	79,470	-	21,810	21,810
248	-	248	-	-	-
80,279	-	80,279	-	-	-
<u>\$ 47,056,372</u>	<u>\$ 4,687,878</u>	<u>\$ 9,501,062</u>	<u>\$ 89,220</u>	<u>\$ 42,153,968</u>	<u>\$ 42,148,725</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2018 only)			
1. Noncredit	6.22	-	6.22
2. Credit	1,214.75	-	1,214.75
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit	-	-	-
2. Credit	531.94	-	531.94
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,008.36	-	8,008.36
(b) Daily Census Contact Hours	1,402.40	-	1,402.40
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	226.88	-	226.88
(b) Credit	1,178.01	-	1,178.01
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,295.76	-	1,295.76
(b) Daily Census Procedure Courses	1,427.35	-	1,427.35
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>15,291.67</u>	<u>-</u>	<u>15,291.67</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	-	-	-
2. Credit	1,233.10	-	1,233.10
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	30.94	-	30.94

* Annual report revised as of October 23, 2019

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, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 19,289,721	\$ -	\$ 19,289,721	\$ 19,289,721	\$ -	\$ 19,289,721
Other	1300	15,439,757	-	15,439,757	15,439,757	-	15,439,757
Total Instructional Salaries		34,729,478	-	34,729,478	34,729,478	-	34,729,478
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	6,777,619	-	6,777,619
Other	1400	-	-	-	715,814	-	715,814
Total Noninstructional Salaries		-	-	-	7,493,433	-	7,493,433
Total Academic Salaries		34,729,478	-	34,729,478	42,222,911	-	42,222,911
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	20,619,990	-	20,619,990
Other	2300	-	-	-	2,007,271	-	2,007,271
Total Noninstructional Salaries		-	-	-	22,627,261	-	22,627,261
Instructional Aides							
Regular Status	2200	1,703,770	-	1,703,770	1,703,770	-	1,703,770
Other	2400	952,365	-	952,365	952,365	-	952,365
Total Instructional Aides		2,656,135	-	2,656,135	2,656,135	-	2,656,135
Total Classified Salaries		2,656,135	-	2,656,135	25,283,396	-	25,283,396
Employee Benefits	3000	11,983,684	-	11,983,684	25,230,770	-	25,230,770
Supplies and Material	4000	-	-	-	843,069	-	843,069
Other Operating Expenses	5000	108,198	-	108,198	9,201,956	-	9,201,956
Equipment Replacement	6420	-	-	-	839,017	-	839,017
Total Expenditures Prior to Exclusions		49,477,495	-	49,477,495	103,621,119	-	103,621,119

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, 2019**

	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	\$ -	\$ -	\$ -	\$ 148,319	\$ -	\$ 148,319
Objects to Exclude							
Rents and Leases	5060	-	-	-	773,131	-	773,131
Employee Benefits	3000	-	-	-	1,385,244	-	1,385,244
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	74,862	-	74,862
Total Supplies and Materials		-	-	-	74,862	-	74,862

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, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 2,833,438	\$ -	\$ 2,833,438
Capital Outlay							
Equipment	6300	-	-	-	3,000	-	3,000
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	3,000	-	3,000
Total Exclusions		-	-	-	5,217,994	-	5,217,994
Total for ECS 84362, 50 Percent Law		\$ 49,477,495	\$ -	\$ 49,477,495	\$ 98,403,125	\$ -	\$ 98,403,125
Percent of CEE (Instructional Salary Cost/Total CEE)		50.28%		50.28%	100.00%		100.00%
50% of Current Expense of Education					\$ 49,201,563		\$ 49,201,563

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the audited financial statements.

	General Fund	KVCR Fund	FCC Auction Fund	KVCR FNX Fund	PARS Trust
FUND BALANCE					
Balance, June 30, 2019, (CCFS-311)	\$ 25,281,993	\$ (442,557)	\$ 68,374,618	\$ 200,029	\$ 79,306,510
Post closing entries					
Change in:					
Investments	-	-	-	-	1,011,949
Accounts receivable	(2,231,302)				
Claims liability	-	-	-	-	-
Accounts payable	(842,984)	17,342	(1,089,861)	(12,803)	-
Deferred revenue	5,699,546	-	-	-	-
Inter-fund borrowings	(262,597)	-	-	-	-
Balance, June 30, 2019, Audited	<u>\$ 27,644,656</u>	<u>\$ (425,215)</u>	<u>\$ 67,284,757</u>	<u>\$ 187,226</u>	<u>\$ 80,318,459</u>

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Activity Classification	Object Code	Unrestricted			
EPA Revenue:	8630				\$ 14,829,152
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 14,829,152	\$ -	\$ -	\$ 14,829,152
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, 2019**

**Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:**

Total Fund Balance:

General Fund	\$ 27,644,656	
Special Revenue Funds	(85,710)	
Capital Project Funds	41,234,098	
Debt Service Funds	35,602,275	
Enterprise Funds	67,293,474	
Internal Service Funds	9,130,688	
Fiduciary Funds	<u>132,134</u>	
Total Fund Balance - All District Funds		\$ 180,951,615

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	751,378,052	
Accumulated depreciation is	<u>(173,814,274)</u>	577,563,778
Less fixed assets already recorded in the enterprise funds		(44,908,756)

The District has refunded debt obligations with crossover bonds. These investments are held in an escrow account to pay debt remaining on the books until the crossover date.

50,808,100

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.

12,978,711

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year end consist of:

Pension contributions subsequent to measurement date	13,032,722
Net change in proportionate share of net pension liability	16,874,325

Differences between projected and actual earnings on pension plan investments	492,564
Differences between expected and actual experience in the measurement of the total net pension liability	4,127,043
Changes of assumptions	<u>15,526,210</u>

Total Deferred Outflows of Resources Related to Pensions 50,052,864

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, Continued
JUNE 30, 2019**

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:

Net change in proportionate share of net pension liability	\$ (9,172,926)	
Differences between projected and actual earnings on pension plan investments	(2,362,203)	
Differences between expected and actual experience in the measurement of the total pension liability.	<u>(891,084)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (12,426,213)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of OPEB contributions subsequent to measurement date. 287,288

Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consists of the net difference between projected and actual earnings on OPEB plan investments. (4,652)

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (8,090,198)

Aggregate net pension obligation is not due and payable in the current period, and is not reported as a liability in the funds. (121,398,232)

Long-term obligations at year end consist of:

Bonds payable	511,441,456
Compensated absences	3,544,547
Aggregate net OPEB liability	2,111,291

In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is: 79,337,411 (596,434,705)

\$ 89,379,600

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

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 Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The Federal Perkins Loans program represents an outstanding loan with the District with continuing compliance requirements. The balance on the outstanding loan at June 30, 2019, was \$138,138.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 26,715,858
Build America Bonds	N/A	(1,586,061)
Federal Perkins Loan	84.038	145,898
Total Expenditures of Federal Awards		<u>\$ 25,275,695</u>

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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 Audited 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 audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

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 government-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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2019.

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 opinion 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 have not been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control 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 in described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be a material weakness.

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 December 17, 2019.

San Bernardino Community College District's Response to 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.



Rancho Cucamonga, California
December 17, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2019. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 considered 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major Federal program is not modified with respect to this matter.

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 compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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 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 may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Sallee LLP

Rancho Cucamonga, California
December 17, 2019



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 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

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 2018-2019 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion on Section 425 – Residency Determination for Credit Courses and Section 427 – Dual Enrollment (CCAP and Non-CCAP)

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 425 – Residency Determination for Credit Courses, 2019-005 and Section 427 – Dual Enrollment (CCAP and Non-CCAP), 2019-003 and 2019-004. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on Section 425 – Residency Determination for Credit Courses and Section 427 – Dual Enrollment (CCAP and Non-CCAP)

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, 2019.

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 State programs noted below that were audited for the year ended June 30, 2019, 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 Activities Funded From Other Sources
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Dual Enrollment (CCAP and Non-CCAP)
- Section 430 Scheduled Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 439 Proposition 39 Clean Energy Fund
- Section 444 Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged Hours (TBA)
- Section 490 Proposition 1D and 51 State Bond Funded Projects
- Section 491 Education Protection Account Funds

The District did not receive any funding for Apprenticeship Related and Supplemental Instruction (RSI) Funds; therefore, the compliance tests within this section were not applicable.

The District did not receive any funding through Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.



Rancho Cucamonga, California
December 17, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.038	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 758,270</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
---	------------------

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

<u>Name of State Program</u>
<u>425 - Residency Determination for Credit Courses</u>
<u>427 - Dual Enrollment (CCAP and Non-CCAP)</u>

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2019

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

2019-001 Finding

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 - Adjustments and reclassifications were required to conform to the BAM and GAAP during the District's closing process. Corrections were made to the various accounts included below, but not limited to:

- Investment accounts required material reclassifications to ensure accuracy of account balances.
- Accounts payable and Accounts receivable balances relating to multiple funds required material adjustments.
- Interfund transactions were not properly accounted for during the fiscal year and required material reclassifications and adjustments.
- The revolving account was not properly reconciled.

Questioned Costs

Adjustments to the financial statements were reviewed with management and accepted for posting. No questioned costs were associated with this finding.

Context

The District maintains individual funds with asset and liability balances subject to the reconciliation process. The net impact to the individual funds is included on page 85 of this report.

Effect

Many 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 in accordance with generally accepted accounting principles.

Cause

The oversight and monitoring controls over the individual asset and liability accounts and the closing process appear not to have been adhered to.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

The District should 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. A regular and timely reconciliation of all accounts should be performed with any inconsistencies reconciled and adjusted prior to year end.

Corrective Action Plan

At the end of the 2019 fiscal year, District management achieved the difficult, multi-year goal of obtaining fiscal accountable status from the County Superintendent of Schools. In conjunction with this effort, the District implemented a new Oracle Enterprise Resource Management System. The implementation was successful but there were challenges with year-end reconciliation and preparation of all accounting entries. With the system implementation completed, management will update its year-end closing procedures to ensure all information is prepared, reviewed, and reconciled prior to the closing of the general ledger.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

The following finding represents a significant deficiency and an instance of noncompliance including questioned costs that is required to be reported by the Uniform Guidance.

2019-002 Return to Title IV

Program Name: Student Financial Assistance Cluster
CFDA Number: 84.007,84.003, 84.063
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

OMB Compliance Supplement, 34 CFR section 668.173(b): Timing of Return of Title IV Funds

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initialed to ED or the appropriate FFEL lender 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 the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date of institution determined that the student withdrew.

Condition

Significant Deficiency – At San Bernardino Valley College, the District's portion of the Return to Title IV funds was not returned within the 45 day requirement for 10 out of the 37 students tested.

Questioned Costs

No questioned costs as the funds were all returned to the Department of Education.

Context

There were 410 Return to Title IV calculations done for Valley College and 33 done for Crafton Hills College.

Effect

Without proper monitoring of student withdrawals, the District is at risk of noncompliance with the above referenced criteria.

Cause

The District's policies and procedures were not properly adhered to.

Repeat Finding: No

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

It is recommended the institution should establish effective controls to ensure the Return to Title IV funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

Corrective Action Plan

The San Bernardino Valley College Financial Aid Office is updating its controls to ensure that Return to Title IV funds occurs within 45 days from the date the institution determines the student withdrew from all classes.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations.

2019-003 Dual Enrollment – Enrollment Fees

Criteria or Specific Requirement

California Code of Regulations (CCR) Education Code Section 76001(a) outlines the governing board of a community college may admit to any community college under its jurisdiction as a special part-time or full-time student in any session or term any student who is eligible to attend community college.

California Code of Regulations (CCR) Education Code Section 76001(d) outlines a special part-time student may enroll in up to, and including 11 units per semester, or the equivalent thereof, at the community college.

California Code of Regulations (CCR) Education Code Section 76003(f) outlines the governing board of a community college district may exempt special part-time students admitted pursuant to Section 76001 from the fee requirement.

Condition

One out of 25 students identified as dual enrolled students during testing was assessed enrollment fees. The student enrolled in only 4 units at Crafton Hills College for the Fall 2018 term, below the 11 unit threshold. Therefore, no enrollment fees should have been assessed to the student.

Questioned Costs

No questioned costs. The student was subsequently reimbursed for the enrollment fees.

Context

There were a total of 550 dual enrollment students (337 at Crafton Hills College and 213 at San Bernardino Valley College) enrolled during the 2018-2019 fiscal year. Based on the calculated error rate, the District is at risk of a total of 22 students being non-compliant.

Effect

The District inadvertently charged one special part-time student enrollment fees.

Cause

The District's procedures were not followed to ensure compliance with the dual enrollment requirements.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

The District should implement an effective control procedure for monitoring compliance issues related to the dual enrollment program to ensure that compliance requirements are met.

Corrective Action Plan

Management is updating its procedures for monitoring compliance issues related to the dual enrollment program to ensure that compliance requirements are met.

2019-004 Dual Enrollment – Course Publication

Criteria or Specific Requirement

California Code of Regulations (CCR) Education Code Section 76002(a)(B) requires that "if a decision to offer a class on a high school campus is made after the publication of the regular schedule of classes, and the class is solely advertised to the general public through electronic media, the class shall be so advertised for a minimum of 30 continuous days prior to the first meeting of the class."

Condition

25 courses with Non-CCAP students enrolled were selected for testing of the Education Code criteria. Two of the 25 courses were not published a minimum of 30 days prior to the first meeting of the course. These courses were ultimately held at a high school location under the instruction of San Bernardino Valley College.

Questioned Costs

No questioned costs.

Context

There was a total of approximately 83 courses with dual enrolled students held at a high school during the 2018-2019 fiscal year. Based on the calculated error rate, a total of approximately 7 courses are at risk of noncompliance.

Effect

The District did not meet the minimum advertised number of continuous days for classes being held on a high school campus.

Cause

Compliance oversight prevented the District's procedures to be followed related to dual enrollment requirements.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

The District should implement a control procedure for monitoring compliance issues related to the dual enrollment program to ensure that compliance requirements are met.

Corrective Action Plan

Management is updating its procedures for monitoring compliance issues related to the dual enrollment program to ensure that compliance requirements are met.

2019-005 Residency Determination for Credit Courses

Criteria or Specific Requirement

- 1) Education Code sections 66770-66773.5, 68000-68044, 68050-68080, 68082, 68100, 68101, 68130, 76140, 76140.5, and 76143
- 2) California Code of Regulations, title 5, sections 54000-54072, 58012, 59114, and 59116.
- 3) Chancellor's Office, Student Attendance Accounting Manual and related advisories (SAAM)
- 4) Memorandum from Chancellor's office dated 3/2/10 regarding out-of-state athletes, Residency Determination and nonresident Tuition Fees

Condition

Two out of twenty-five students tested at Crafton Hills who were identified as a #2 in the CCCApply generated report were misclassified. The #2 identifier is an indication that the applicant's residency was questionable and should be identified as a nonresident until proof of residency is provided by the applicant. The students were classified as a resident; however, the college was unable to provide documentation that supported this classification

Questioned Costs

The FTES relating to the two students found to be misclassified as residents is .8333, which amounts to a dollar value of \$4,292.44.

Context

Two out of twenty-five students selected were found to be misclassified regarding their residency status. There was a total of approximately 308 students classified as residents when further proof of residency was required as identified by the central processor during the fiscal year. Based on the calculated error rate, a total of approximately 37 students are at risk for residency misclassification.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Effect

The CCFS-320 report is overstated regarding the amount of FTES attributed to resident student and understated regarding the amount of FTES attributed to nonresident students. Since non-resident FTES are not funded through state apportionment, the overstatement of resident FTES results in an overclaim of apportionment.

Cause

When the student's questionable residency status was uploaded into the District's student information module, the system recognized the two students previously attended the college as a resident a year back and the system automatically classified the student as a resident. There appears to be a potential coding error in the District's student information system. In addition, there was a lack of effective controls to detect and correct the errors in student residency status.

Recommendation

The District should analyze their system processes to avoid potential residency misclassification errors in the future. The information in the system should also be reviewed to ensure the accuracy and reliability.

Corrective Action Plan

The Admissions and Records Department is updating its procedures to avoid potential residency misclassification errors.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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.

Federal Awards Findings

2018-001 Finding

Program Name: Student Financial Assistance Cluster, Federal Pell Grant Program

CFDA Number: 84.063

Federal Agency: U.S. Department of Education (DOE)

Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

34 CFR section 668.22(c):

If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the school; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence.

Condition

Significant Deficiency - Valley College: The institution did not use the correct withdrawal date in performing the return to Title IV calculation.

Questioned Costs

No questioned costs.

Context

Out of forty instances tested, there was one where the institution used an incorrect withdrawal date in performing the return to Title IV calculation.

Effect

Without proper monitoring of student withdrawals, the District risks noncompliance with the above referenced criteria.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Cause

The institution incorrectly input the withdrawal date in to the return to Title IV calculation.

Repeat Finding: Yes

Recommendation

It is recommended that the institution perform a review of all return to Title IV calculations to ensure accuracy.

Current Status

Implemented.

2018-002 Finding

Program Name: Student Financial Assistance Cluster, Federal Pell Grant Program

CFDA Number: 84.063

Federal Agency: U.S. Department of Education (DOE)

Pass-Through Entity: Direct Funded

Criteria or Specific Requirement

34 CFR sections 668.22(e)(1) and 668.22(e)(2)

The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

Condition

Significant Deficiency - Valley College: The District did not accurately calculate the amount of Title IV grant assistance that was or could have been disbursed to the student as of the student's withdrawal date.

Questioned Costs

No questioned costs.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Context

Out of forty instances tested, there were nine where the District performed the return to Title IV calculation using the incorrect enrollment status as of the student's withdrawal date.

Effect

Without proper monitoring of student's enrollment status at their withdrawal date, the District risks noncompliance with the above referenced criteria.

Cause

The institution did not correctly identify that units enrolled at the time of the student's withdrawal date.

Repeat Finding: No

Recommendation

It is recommended that the institution identify the units enrolled at the time of the student's withdrawal date, and to use that enrollment status when performing the return to Title IV calculation.

Current Status

Implemented.