SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of San Bernardino Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 11 and the other Required Supplementary Information listed in the table of contents 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), is presented for purposes of additional analysis and is 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 November 20, 2017, 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.

Vavrinek Trine Day & Co. LLP

Rancho Cucamonga, California
November 20, 2017

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, 2017. 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, 2017. 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 entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

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

FINANCIAL HIGHLIGHTS

- The District's primary funding source is apportionment received from the State of California. The District's apportionment amount is determined by the number and size of colleges in the District and the number of Full-Time Equivalent Students (FTES). The District FTES for the year ended June 30, 2017, decreased 5.5 percent from the prior year as noted below.

	Year Ended June 30		
	2017	**2016**	**Change**
San Bernardino Valley College	10,131	10,504	-3.6%
Crafton Hills College	4,122	4,848	-15.0%
San Bernardino Community College District	14,253	15,352	-7.2%

- During the year ended June 30, 2017, the District endeavored to fill various vacant employee positions across the District and improved staffing levels by 5.0 percent over the prior year as noted below.

	Year Ended June 30		
	2017	2016	Change
Administrators	103	95	8.4%
Faculty	275	262	5.0%
Classified	427	410	4.1%
Total	805	767	5.0%

- 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, 2017, the District improved the rate to 51.12 percent from 50.97 percent in the previous year.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position primarily presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets plus deferred outflows of resources minus liabilities).

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

The difference between the sum of total assets plus deferred outflows of resources and total liabilities 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.

The Statement of Net Position as of June 30, 2017 and June 30, 2016, is summarized below.

(Amounts in thousands)

	2017	2016
ASSETS		
Current Assets		
Cash and investments	$ 154,645	$ 185,595
Accounts receivable (net)	6,886	7,670
Other current assets	2,303	2,061
Total Current Assets	163,834	195,326
Net OPEB Assets	4,529	4,030
Capital Assets (net)	544,718	513,865
Total Assets	713,081	713,221
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	13,277	14,078
Deferred outflows of resources related to pensions	27,572	31,737
Total Deferred Outflows of Resources	40,849	45,815
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	49,576	39,097
Current portion of long-term debt	10,415	10,139
Total Current Liabilities	59,991	49,236
Long-Term Obligations	620,750	631,646
Total Liabilities	680,741	680,882
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	21,012	17,729
NET POSITION		
Net investment in capital assets	37,952	40,833
Restricted	44,171	49,818
Unrestricted	(29,946)	(30,226)
Total Net Position	$ 52,177	$ 60,425

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, 2017 and June 30, 2016, is summarized below.

(Amounts in thousands)

	2017	2016
Operating Revenues		
Tuition and fees	$ 7,089	$ 6,421
Auxiliary sales and charges	4,471	4,538
Total Operating Revenues	11,560	10,959
Operating Expenses		
Salaries and benefits	96,886	95,941
Supplies and maintenance	45,655	35,655
Student financial aid	23,877	28,332
Depreciation	15,524	15,310
Total Operating Expenses	181,942	175,238
Operating Loss	(170,382)	(164,279)
Nonoperating Revenues		
State apportionments	51,417	59,827
Property taxes	42,613	48,302
Grants and contracts	64,210	60,697
State revenues	12,709	3,519
Net interest expense	(17,878)	(30,601)
Other nonoperating revenues	7,292	10,582
Total Nonoperating Revenue	160,363	152,326
Other Revenues		
State and local capital income	1,771	2,013
Net Change in Net Position	$ (8,248)	$ (9,940)

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, 2017:

(Amounts in thousands)

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 34,117	$ 9,575	$ 1,034	$ 829	$ -	$ -	$ 45,555
Academic support	4,626	1,789	12,450	54	-	-	18,919
Student services	11,069	3,991	2,664	402	-	-	18,126
Plant operations and maintenance	3,386	1,770	3,780	315	-	-	9,251
Instructional support services	10,072	4,084	11,030	1,432	-	-	26,618
Community services and economic development	3,376	1,181	1,996	136	-	-	6,689
Ancillary services and auxiliary operations	5,344	2,186	6,627	449	-	-	14,606
Student aid	-	-	-	-	23,877	-	23,877
Physical property and related acquisitions	237	83	1,120	1,337	-	-	2,777
Unallocated depreciation	-	-	-	-	-	15,524	15,524
Total	$ 72,227	$ 24,659	$ 40,701	$ 4,954	$ 23,877	$ 15,524	$ 181,942

Statement of Cash Flows

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

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

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

- Noncapital financing - primarily State apportionment and property taxes.

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

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

The Statement of Cash Flows for the years ended June 30, 2017 and June 30, 2016, is summarized below.

(Amounts in thousands)

	2017	2016
Cash Provided by (Used in)		
Operating activities	$ (157,211)	$ (135,810)
Noncapital financing activities	168,855	151,360
Capital financing activities	(43,310)	(15,008)
Investing activities	39,470	19,092
Net Increase (Decrease) in Cash	7,804	19,634
Cash, Beginning of Year	109,568	89,934
Cash, End of Year	$ 117,372	$ 109,568

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had $686.5 million in capital assets, less $141.8 million accumulated depreciation for net capital assets of $544.7 million. The District continues to work on the facilities projects that are part of the $450 million bond master plan. The District spent approximately $46.4 million on capital assets during the year, the majority of which relate to bond proceeds. Depreciation charges during the year totaled $15.5 million. Note 6 in the financial statements provides additional information on capital assets.

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 151,638	$ 42,567	$ (95,318)	$ 98,887
Buildings and improvements	461,847	97,474	-	559,321
Furniture and equipment	26,665	1,654	(43)	28,276
Subtotal	640,150	141,695	(95,361)	686,484
Accumulated depreciation	(126,285)	(15,524)	43	(141,766)
	$ 513,865	$ 126,171	$ (95,318)	$ 544,718

Obligations

As of June 30, 2017, the District had $631.2 million in debt consisting of $548.3 million from general obligation bonds, $76.4 million from pension obligation, $.1 million from community service grant payable, $3.3 million from compensated absences, and $3.1 million claims liability.

Details including the type, interest rates, and maturities of the general obligation bonds are found in Note 10.

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 550,782	$ 10,027	$ (12,530)	$ 548,279
Compensated absences	2,759	588	-	3,347
Claims liability	3,078	-	-	3,078
Community service grant payable	219	-	(110)	109
Aggregate pension liability	84,947	2,724	(11,319)	76,352
Total Long-Term Debt	$ 641,785	$ 13,339	$ (23,959)	$ 631,165
Amount due within one year				$ 10,416

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, 114 South Del Rosa Drive, San Bernardino, California 92408.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2017

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,039,069
Investments	153,605,950
Accounts receivable	5,469,472
Student loans receivable, net	1,416,434
Due from fiduciary funds	41,616
Prepaid expenses	1,403,625
Inventories	855,811
Other current assets	1,750
Total Current Assets	163,833,727
Noncurrent Assets	
Net OPEB assets	4,528,893
Nondepreciable capital assets	98,886,612
Depreciable capital assets, net of depreciation	445,831,701
Total Noncurrent Assets	549,247,206
TOTAL ASSETS	713,080,933
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	13,276,638
Deferred outflows of resources related to pensions	27,572,633
Total Deferred Outflows of Resources	40,849,271
LIABILITIES	
Current Liabilities	
Accounts payable	26,352,327
Accrued interest payable	7,562,197
Due to fiduciary funds	94,029
Unearned revenue	15,567,467
Bonds payable - current portion	10,306,190
Community service grant payable	109,374
Total Current Liabilities	59,991,584
Noncurrent Liabilities	
Compensated absences	3,346,683
Bonds payable - noncurrent portion	537,973,005
Claims liability	3,078,245
Aggregate net pension obligation	76,351,759
Total Noncurrent Liabilities	620,749,692
TOTAL LIABILITIES	680,741,276
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	21,012,016
NET POSITION	
Net investment in capital assets	37,951,739
Restricted for:	
Debt service	33,537,542
Capital projects	10,147,263
Educational programs	486,563
Unrestricted	(29,946,195)
TOTAL NET POSITION	$ 52,176,912

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, 2017

OPERATING REVENUES	
Student Tuition and Fees	$ 19,670,664
Less: Scholarship discount and allowance	(12,581,348)
Net tuition and fees	7,089,316
Auxiliary Enterprise Sales and Charges	
Bookstore	3,906,025
Cafeteria	564,508
TOTAL OPERATING REVENUES	11,559,849
OPERATING EXPENSES	
Salaries	72,226,990
Employee benefits	24,659,151
Supplies, materials, and other operating expenses and services	40,701,086
Equipment, maintenance, and repairs	4,954,220
Student financial aid	23,877,053
Depreciation	15,523,888
TOTAL OPERATING EXPENSES	181,942,388
OPERATING LOSS	(170,382,539)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	51,417,428
Local property taxes, levied for general purposes	26,355,145
Taxes levied for other specific purposes	16,258,114
Federal grants	23,332,346
State grants	40,878,174
State taxes and other revenues	12,709,018
Investment income	828,798
Interest expense on capital related debt	(18,868,098)
Investment income on capital asset-related debt, net	161,001
Transfer from fiduciary funds	881,770
Transfer to fiduciary funds	(195,000)
Other nonoperating revenue	6,605,104
TOTAL NONOPERATING REVENUES (EXPENSES)	160,363,800
LOSS BEFORE OTHER REVENUES	(10,018,739)
OTHER REVENUES	
State revenues, capital	167,129
Local revenues, capital	1,603,973
TOTAL OTHER REVENUES	1,771,102
CHANGE IN NET POSITION	(8,247,637)
BEGINNING FUND BALANCE	60,424,549
NET POSITION, END OF YEAR	$ 52,176,912

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 6,099,839
Payments to or on behalf of employees	(98,125,754)
Payments to vendors for supplies and services	(45,778,641)
Payments to students for scholarships and grants	(23,877,053)
Auxiliary enterprise sales and charges	4,470,533
Net Cash Flows From Operating Activities	(157,211,076)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	56,407,218
Grant and contracts	23,535,013
Property taxes	26,355,145
State taxes and other apportionments	53,432,237
Other nonoperating	9,125,351
Net Cash Flows From Noncapital Financing Activities	168,854,964
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(41,908,455)
State revenue, capital projects	167,129
Local revenue, capital projects	1,603,973
Property taxes - related to capital debt	16,258,114
Proceeds from capital debt	10,027,485
Principal paid on capital debt	(12,530,404)
Interest paid on capital debt	(17,889,891)
Interest received on capital asset-related debt	962,448
Net Cash Flows From Capital Financing Activities	(43,309,601)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	38,754,279
Interest received from investments	715,906
Net Cash Flows From Investing Activities	39,470,185
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,804,472
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	109,567,696
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 117,372,168

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, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (170,382,539)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	15,523,888
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(989,477)
Inventories	(359,126)
Prepaid expenses	146,090
Accounts payable and accrued liabilities	(3,042,263)
Unearned revenue	3,061,201
Compensated absences	587,692
Deferred outflows of resources related to pensions	4,163,918
Deferred inflows of resources related to pensions	3,282,710
Community service grant payable	(109,373)
Net OPEB assets	(498,922)
Aggregate net pension obligation	(8,594,875)
Total Adjustments	13,171,463
Net Cash Flows From Operating Activities	$ (157,211,076)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 1,039,069
Cash in county treasury	116,333,099
Total Cash and Cash Equivalents	$ 117,372,168
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 3,142,482

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Retiree OPEB Trust	Other Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 507,878	$ 266,248
Investments	8,035,853	1,619,506	-
Accounts receivable	-	5,225	-
Due from primary government	-	93,764	265
Prepaid expenses	-	1,463	-
Other current assets	-	33,534	-
Total Assets	8,035,853	2,261,370	$ 266,513
LIABILITIES			
Accounts payable	-	130,112	$ 5,897
Due to primary government	-	41,616	-
Unearned revenue	-	157,434	-
Due to student groups	-	-	260,616
Total Liabilities	-	329,162	$ 266,513
NET POSITION			
Restricted for postemployment benefits other than pensions	8,035,853	-	
Unreserved	-	1,932,208	
Total Net Position	$ 8,035,853	$ 1,932,208	

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Local revenues	$ 749,118	$ 2,672,186
DEDUCTIONS		
Classified salaries	-	655,110
Employee benefits	-	212,377
Books and supplies	-	7,449
Services and operating expenditures	68,535	1,155,451
Capital outlay	-	61,478
Total Deductions	68,535	2,091,865
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	195,000
Transfer to primary government	-	(881,770)
Other uses	-	(158,048)
Total Other Financing Sources (Uses)	-	(844,818)
Change in Net Position	680,583	(264,497)
Net Position - Beginning, as restated (see note 16)	7,355,270	2,196,705
Net Position - Ending	$ 8,035,853	$ 1,932,208

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

NOTE 1 - ORGANIZATION

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

- KVCR Educational Foundation, Inc.

  The KVCR Educational Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to provide funding support to KVCR TV 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.

Condensed Statement of Net Position

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

- Economic Development and Corporate Training Foundation

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

Complete financial statements for the Foundation and the EDTC Foundation can be obtained from the District's Business Office. Condensed component unit information for the Foundation and the EDTC Foundation, the District's blended component units, for the year ended June 30, 2017, is as follows:

Condensed Statement of Net Position

	KVCR Educational Foundation, Inc.	Economic Development and Corporate Training Foundation
ASSETS		
Total Assets	$ 635,771	$ 103,270
LIABILITIES		
Total Liabilities	209,010	109,804
NET POSITION		
Total Net Position	$ 426,761	$ (6,534)

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

	KVCR Educational Foundation, Inc.	Economic Development and Corporate Training Foundation
REVENUES		
Total Revenues	$ 2,078,637	$ 1,487
EXPENSES		
Total Expenses	1,424,969	285,442
Transfer from primary government	-	195,000
Transfer to primary government	(881,770)	-
CHANGE IN NET POSITION	(228,102)	(88,955)
NET POSITION, BEGINNING OF YEAR	654,863	82,421
NET POSITION, END OF YEAR	$ 426,761	$ (6,534)

Retiree Health Benefit OPEB Trust

The District's OPEB 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 Board of Trustees as directed by the investment alternative choice selected by the Board. The San Bernardino Community College District Retirement Board of Authority 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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 and auxiliary activities through the bookstore and cafeteria.

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

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

The 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, and No. 39. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $437,771 for the year ended June 30, 2017.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Bond Premiums and Discounts

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

Deferred Charges on Refunding

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items. The District reports deferred outflows of resources for the unamortized charges on the refunding of general obligation bonds, current year pension contributions, net change in proportionate share of net pension obligation, difference between projected and actual earnings on pension plan investments specific to the net pension liability, and difference between expected and actual experience in the measurement of the total pension liability.

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 related items. The District reports deferred inflows of resources for the net change in proportionate share of net pension obligation, difference between projected and actual earnings on pension plan investments specific to the net pension liability, difference between expected and actual experience in the measurement of the total pension liability, and change in assumptions related to pension liabilities.

Pensions

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The 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 entity-wide financial statements.

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The financial statements report $44,171,368 of restricted net position.

State Apportionments

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

Property Taxes

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

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

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, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with 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 are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2017.

As the result of implementing GASB Statement No. 74, the District has restated the beginning net position in the Fiduciary Funds Statement of Net Position, effectively increasing the District's Fiduciary Net Position as of July 1, 2016, by $7,355,270. The increase results from accounting for the District's OPEB Trust account within the District's Fiduciary accounts.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

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.

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

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 reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

Primary government	$ 154,645,019
Fiduciary funds	10,429,485
Total Deposits and Investments	$ 165,074,504

Cash on hand and in banks	$ 1,725,833
Cash in revolving	87,362
Cash in County Treasury	117,952,605
Investments	45,308,704
Total Deposits and Investments	$ 165,074,504

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 $117,952,605 with the San Bernardino County Investment Pool with a weighted maturity of 341 days. In addition, the District maintains investments of $37,067,913, $204,938, and $8,035,853 in Short-Term Securities, Certificates of Deposits, 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 AAA/VI by Fitch Ratings agency. All other investments are not required to be rated, nor have they been rated as of June 30, 2017.

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, 2017, the District's bank balance of $2,371,501 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.

The District's fair value measurements are as follows at June 30, 2017:

		Fair Value Measurements Using	
Investment Type	Fair Value	Level 1 Inputs	Uncategorized
San Bernardino County Investment Pool	$ 117,825,549	$ -	$ 117,825,549
Short-Term Securities	37,067,913	37,067,913	-
Mutual Funds	8,035,853	8,035,853	-
Certificate of Deposits	204,938	204,938	-
Total	$ 163,134,253	$ 45,308,704	$ 117,825,549

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

NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,020,261	$ -
State Government		
Categorical aid	1,857,950	-
Lottery	322,931	-
Local Sources		
Interest	261,675	-
Property taxes	785,451	-
Other local sources	1,221,204	5,225
Total	$ 5,469,472	$ 5,225

Student loans receivable	$ 1,854,205
Less allowance for bad debt	(437,771)
Student loans receivable, net	$ 1,416,434

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 4,518,454	$ -	$ -	$ 4,518,454
Construction in progress	147,119,391	42,566,843	95,318,076	94,368,158
Total Capital Assets Not Being Depreciated	151,637,845	42,566,843	95,318,076	98,886,612
Capital Assets Being Depreciated				
Land improvements	78,093,828	925,907	-	79,019,735
Buildings and improvements	383,753,662	96,547,604	-	480,301,266
Furniture and equipment	26,664,828	1,654,476	43,308	28,275,996
Total Capital Assets Being Depreciated	488,512,318	99,127,987	43,308	587,596,997
Total Capital Assets	640,150,163	141,694,830	95,361,384	686,483,609
Less Accumulated Depreciation				
Land improvements	40,421,640	6,698,632	-	47,120,272
Buildings and improvements	64,750,449	7,512,812	-	72,263,261
Furniture and equipment	21,112,627	1,312,444	43,308	22,381,763
Total Accumulated Depreciation	126,284,716	15,523,888	43,308	141,765,296
Net Capital Assets	$ 513,865,447	$ 126,170,942	$ 95,318,076	$ 544,718,313

Depreciation expense for the year was $15,523,888.

Interest expense on capital related debt for the year ended June 30, 2017, was $27,540,554. Of this amount, $8,672,456 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 2,967,978	$ 15,201
Apportionment	7,242,521	-
Construction	7,469,818	-
Other	8,672,010	120,808
Total	$ 26,352,327	$ 136,009

NOTE 8 - UNEARNED REVENUE

Unearned revenue consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 120,368	$ -
State categorical aid	10,519,196	-
Enrollment fees	572,378	-
Other local	4,355,525	157,434
Total	$ 15,567,467	$ 157,434

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 governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the Primary Government and the Fiduciary Funds are not eliminated in the consolidation process. As of June 30, 2017, the amount owed to the Fiduciary Funds from the Primary Government was $94,029, and the amount owed to Primary Government from the Fiduciary Funds was $41,616.

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 2017 fiscal year, the Primary Government transferred $195,000 to the Fiduciary Funds, and the Fiduciary Funds transferred $881,770 to the Primary Government.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2017 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
Election 2002 Series D	$ 8,152,401	$ 631,859	$ -	$ 8,784,260	$ -
Election 2002 Series E	15,000,000	-	-	15,000,000	-
Subtotal Election 2002	23,152,401	631,859	-	23,784,260	-
2005 GO Refunding Bonds	7,522,427	929,771	-	8,452,198	-
Election 2008 Series A	5,530,000	-	1,365,000	4,165,000	1,830,000
Election 2008 Series B	113,739,806	8,089,672	629,285	121,200,193	621,190
Election 2008 Series C	45,210,000	-	-	45,210,000	-
Election 2008 Series D	37,645,641	376,183	1,160,000	36,861,824	1,200,000
Subtotal Election 2008	202,125,447	8,465,855	3,154,285	207,437,017	3,651,190
2013 GO Refunding Bonds Series A	193,175,000	-	1,235,000	191,940,000	1,285,000
2013 GO Refunding Bonds Series B	30,735,000	-	5,040,000	25,695,000	2,190,000
2015 GO Refunding Bonds	55,975,000	-	600,000	55,375,000	3,180,000
Premium on debt	38,096,839	-	2,501,119	35,595,720	-
Total Bonds Payable	550,782,114	10,027,485	12,530,404	548,279,195	10,306,190
Other Liabilities					
Community service grant payable	218,747	-	109,373	109,374	109,374
Compensated absences	2,758,991	587,692	-	3,346,683	-
Claims liability	3,078,245	-	-	3,078,245	-
Aggregate net pension obligation	84,946,634	2,724,085	11,318,960	76,351,759	-
Total Other Liabilities	91,002,617	3,311,777	11,428,333	82,886,061	109,374
Total Long-Term Obligations	$ 641,784,731	$ 13,339,262	$ 23,958,737	$ 631,165,256	$ 10,415,564

Description of Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. Workers' compensation claims liability is an estimate based on an actuarial study completed by a third party specialist. Actual claims paid will be made from the Self-Insurance Fund. Management is responsible to evaluate the adequacy of the change in value. The compensated absences will be paid by the fund for which the employee worked. Pension expense related to the Aggregate net pension obligation will be paid by the fund for which the employee worked. The community service grant payable is for the overpayment of grant monies received from the Corporation for Public Broadcasting. The community service grant payable will be paid from the KVCR Special Revenue Fund as a reduction in future grants. The obligation is expected to be met in fiscal year 2018. See Note 13 for further details of the Aggregate net pension obligation.

Bonded Debt

The San Bernardino Community College District Election of 2002

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was $190,000,000. As of June 30, 2017, $189,999,797 had been issued, and $23,784,260 was outstanding. Interest rates on the bonds range from 6.02 to 7.63 percent.

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, 2017, the outstanding balance was $8,452,198.

The San Bernardino Community College District Election of 2008

General obligation bonds were approved by a local election in November 2008. The total amount approved by the voters was $500,000,000. As of June 30, 2017, $295,849,349 had been issued, and $207,437,017 was outstanding. Interest rates on the bonds range from 2.00 to 7.63 percent.

The San Bernardino Community College District 2013 Refunding Bonds

In April 2013, the District issued 2013 General Obligation Series A Refunding Bonds and 2013 General Obligation Series B Refunding Bonds to advance refund portions of 2002 Series C, the 2005 General Obligation Refunding Bonds, and the 2008 Series A Bonds. Interest rates on the bonds range from 0.49 to 5.00 percent. The proceeds from the bonds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. The outstanding balances for the 2013 General Obligation Series A Refunding Bonds and the 2013 General Obligation Series B Refunding Bonds are $191,940,000 and $25,695,000, 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, 2017, the outstanding balance was $55,375,000.

Debt Maturity

General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Additions	Redeemed	Bonds Outstanding June 30, 2017
2002 D	6/9/2009	8/1/2033	6.02%-6.79%	$ 4,999,797	$ 8,152,401	$ 631,859	$ -	$ 8,784,260
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	7,522,427	929,771	-	8,452,198
2008 A	12/17/2008	8/1/2018	3.75%-6.50%	140,000,000	5,530,000	-	1,365,000	4,165,000
2008 B	6/9/2009	8/1/2048	2.60%-7.19%	73,102,389	113,739,806	8,089,672	629,285	121,200,193
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	37,645,641	376,183	1,160,000	36,861,824
Refunding 2013 Series A	4/10/2013	8/1/2033	.50%-5.00%	198,570,000	193,175,000	-	1,235,000	191,940,000
Refunding 2013 Series B	4/10/2013	8/1/2021	.49%-3.06%	32,460,000	30,735,000	-	5,040,000	25,695,000
Refunding 2015	9/22/2015	8/1/2031	2.00%-5.00%	55,975,000	55,975,000	-	600,000	55,375,000
Subtotal General Obligation Bonds					512,685,275	10,027,485	10,029,285	512,683,475
Premium on debt					38,096,839	-	2,501,119	35,595,720
					$ 550,782,114	$ 10,027,485	$ 12,530,404	$ 548,279,195

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	439,680	310,320	750,000
2028-2032	1,610,225	2,074,775	3,685,000
2033-2034	6,734,355	17,720,645	24,455,000
Total	$ 8,784,260	$ 20,105,740	$ 28,890,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 1,144,500	$ 1,144,500
2019	-	1,144,500	1,144,500
2020	-	1,144,500	1,144,500
2021	-	1,144,500	1,144,500
2022	-	1,144,500	1,144,500
2023-2027	-	5,722,500	5,722,500
2028-2032	-	5,722,500	5,722,500
2033-2034	15,000,000	1,144,500	16,144,500
Total	$ 15,000,000	$ 18,312,000	$ 33,312,000

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	967,708	667,292	1,635,000
2023-2024	7,484,490	7,565,510	15,050,000
Total	$ 8,452,198	$ 8,232,802	$ 16,685,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 1,830,000	$ 168,338	$ 1,998,338
2019	2,335,000	61,294	2,396,294
Total	$ 4,165,000	$ 229,632	$ 4,394,632

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2018	$ 621,190	$ 918,810	$ -	$ 1,540,000
2019	609,583	1,080,417	-	1,690,000
2020	595,086	1,249,914	1,005,019	2,850,019
2021	-	-	2,010,038	2,010,038
2022	42,555	122,445	-	165,000
2023-2027	631,336	2,963,664	-	3,595,000
2028-2032	859,028	5,810,972	-	6,670,000
2033-2037	16,634,282	14,895,718	-	31,530,000
2038-2042	19,638,174	117,241,826	-	136,880,000
2043-2047	17,653,456	180,166,544	-	197,820,000
2048-2049	12,585,722	186,934,278	-	199,520,000
Subtotal	69,870,412	511,384,588	3,015,057	584,270,057
Accumulated Accretion	51,329,781	(51,329,781)	-	-
	$ 121,200,193	$ 460,054,807	$ 3,015,057	$ 584,270,057

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 3,387,103	$ 3,387,103
2019	-	3,387,103	3,387,103
2020	-	3,387,103	3,387,103
2021	-	3,387,103	3,387,103
2022	-	3,387,103	3,387,103
2023-2027	-	16,935,515	16,935,515
2028-2032	-	16,935,515	16,935,515
2033-2037	-	16,935,515	16,935,515
2038-2042	31,210,000	11,138,258	42,348,258
2043-2045	14,000,000	2,670,500	16,670,500
Total	$ 45,210,000	$ 81,550,818	$ 126,760,818

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

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2018	$ 1,200,000	$ -	$ 1,344,600	$ 2,544,600
2019	445,000	-	1,319,925	1,764,925
2020	-	-	1,313,250	1,313,250
2021	55,557	4,443	1,314,811	1,374,811
2022	102,789	12,211	1,316,523	1,431,523
2023-2027	1,886,037	293,963	6,527,353	8,707,353
2028-2032	2,896,428	2,013,572	6,504,754	11,414,754
2033-2037	2,677,668	3,287,332	6,509,020	12,474,020
2038-2042	4,213,345	4,146,655	6,435,153	14,795,153
2043-2047	14,795,000	-	4,168,375	18,963,375
2048-2049	8,590,000	-	440,250	9,030,250
Total	$ 36,861,824	$ 9,758,176	$ 37,194,014	$ 83,814,014

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 1,285,000	$ 8,608,700	$ 9,893,700
2019	1,330,000	8,556,400	9,886,400
2020	4,275,000	8,444,300	12,719,300
2021	4,890,000	8,236,550	13,126,550
2022	5,765,000	7,970,175	13,735,175
2023-2027	69,950,000	32,318,250	102,268,250
2028-2032	77,770,000	12,959,625	90,729,625
2033-2034	26,675,000	920,100	27,595,100
Total	$ 191,940,000	$ 88,014,100	$ 279,954,100

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 2,190,000	$ 633,570	$ 2,823,570
2019	5,725,000	553,966	6,278,966
2020	6,070,000	415,430	6,485,430
2021	6,460,000	249,213	6,709,213
2022	5,250,000	80,194	5,330,194
Total	$ 25,695,000	$ 1,932,373	$ 27,627,373

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

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 3,180,000	$ 2,657,450	$ 5,837,450
2019	-	2,609,750	2,609,750
2020	-	2,609,750	2,609,750
2021	-	2,609,750	2,609,750
2022	-	2,609,750	2,609,750
2023-2027	-	13,048,750	13,048,750
2028-2032	52,195,000	8,126,375	60,321,375
Total	$ 55,375,000	$ 34,271,575	$ 89,646,575

Community Service Grant Payable

Principal is due through 2018 as follows:

Fiscal Year	Principal
2018	$ 109,374

Compensated Absences

At June 30, 2017, the liability for compensated absences was $3,346,683.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to $76,351,759. See Note 13 for additional information.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) ASSET

Plan Description

Plan administration. The San Bernardino Community College District's Governing Board administers the Postemployment Benefits Plan (the Plan) — a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested in the District Retirement Board of Authority, which consists of five locally appointed Plan members.

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

Inactive Plan members or beneficiaries currently receiving benefit payments	49
Active Plan members	599
	648

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

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2016-2017, the District contributed $386,897 to the Plan, all of which was used for current premiums. Plan members are not required to contribute to the Plan. The District did not make any contributions to an irrevocable trust in the current year.

Investments

Investment policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the San Bernardino Community College Retirement Board of Authority by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	23%
Fixed income	50%
Private equity	20%
Real estate	7%
Total	100%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB of the District

The component of the net OPEB liability of the District as June 30, 2017, was as follows:

Total Actuarial Accrued OPEB liability	$ 8,325,249
Plan fiduciary net position	8,035,853
District's net OPEB liability	$ 289,396
Plan fiduciary net position as a percentage of the total OPEB liability	97%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of February 1, 2016, using the following actuarial 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

Mortality rates were based on 2009 CalSTRS Mortality Table for Certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees for Classified employees.

The actuarial assumptions used in the February 1, 2016, valuation were based on the results of an actuarial experience study as of February 1, 2016.

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:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.1%
Fixed income	4.8%
Private equity	8.7%
Real estate	7.5%
Cash	1.0%

Discount rate. The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that 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 future benefit payments of current Plan members. 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.

Sensitivity of the net OPEB liability to changes in the discount and health care cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and health care cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

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, 2017, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016-2017, 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 CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources 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	$ 55,196,567	$ 19,179,753	$ 7,491,295	$ 6,479,560
CalPERS	21,155,192	8,392,880	13,520,721	557,990
Total	$ 76,351,759	$ 27,572,633	$ 21,012,016	$ 7,037,550

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above, and the District's total contributions were $4,475,608.

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

At June 30, 2017, 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	$ 55,196,567
State's proportionate share of net pension liability associated with the District	31,422,421
Total	$ 86,618,988

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0682 percent and 0.0779 percent, respectively, resulting in a net decrease in the proportionate share of 0.0097 percent.

For the year ended June 30, 2017, the District recognized pension expense of $6,479,560. In addition, the District recognized pension expense and revenue of $3,037,308 for support provided by the State. At June 30, 2017, 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	$ 4,475,608	$ -
Net change in proportionate share of net pension liability	10,316,045	6,144,838
Difference between projected and actual earnings on pension plan investments	4,388,100	-
Difference between expected and actual experience in the measurement of the total pension liability	-	1,346,457
Total	$ 19,179,753	$ 7,491,295

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 earning 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
2018	$ 95,734
2019	95,734
2020	2,550,818
2021	1,645,814
Total	$ 4,388,100

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability 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
2018	$ 793,333
2019	793,333
2020	793,333
2021	793,333
2022	793,334
Thereafter	(1,141,916)
Total	$ 2,824,750

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	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 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 79,440,308
Current discount rate (7.60%)	55,196,567
1% increase (8.60%)	35,061,124

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, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2017, 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%	6.00%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above, and the total District contributions were $3,710,189.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $21,155,192. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.1071 percent and 0.1032 percent, respectively, resulting in a net increase in the proportionate share of 0.0039 percent.

For the year ended June 30, 2017, the District recognized pension expense of $557,990. At June 30, 2017, 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	$ 3,710,189	$ -
Net change in proportionate share of net pension liability	490,209	12,885,133
Difference between projected and actual earnings on pension plan investments	3,282,606	-
Difference between expected and actual experience in the measurement of the total pension liability	909,876	-
Changes of assumptions	-	635,588
Total	$ 8,392,880	$ 13,520,721

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. 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
2018	$ 460,428
2019	460,429
2020	1,505,017
2021	856,732
Total	$ 3,282,606

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (3,866,415)
2019	(4,354,287)
2020	(3,899,934)
Total	$ (12,120,636)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 31,563,664
Current discount rate (7.65%)	21,155,192
1% increase (8.65%)	12,488,090

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

Plan Description

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

The District's contributions for employees covered by the APPLE plan for the years ended June 30, 2017, 2016, and 2015, were $264,119, $68,460, and $63,538, respectively.

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to $3,142,482 (8.828 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, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NOTE 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:

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.

NOTE 15 - 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, 2017.

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, 2017.

Operating Leases

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

The District leases land in the City of Desert Hot Springs for additional broadcasting equipment. The five-year lease agreement was renewed for an additional five years commencing on January 1, 2016. The terms of the lease provide for quarterly payments of rent.

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

Year Ending June 30,	Lease Payment
2018	$ 347,027
2019	215,494
2020	186,424
2021	15,600
2022	15,600
Thereafter	161,200
Total	$ 941,345

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Spent to Date	Remaining Construction Commitment
SBVC Gymnasium and Stadium	$ 70,865,834	$ 1,365,499
CHC LADM Renovation	15,101,147	1,032,616
CHC Student Services A Renovation	8,902,535	211,047
CHC PAC Marquee	23,850	191,853
CHC Churn II	22,140	62,860
SBVC Nursing Lab	7,805	454,980
	$ 94,923,311	$ 3,318,855

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

NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the fiduciary funds by $7,355,270.

Fiduciary Funds	
Net Position - Beginning	$ 2,196,705
Restatement of the District's OPEB Plan Fiduciary Net Position for the implementation of GASB Statement No. 74	7,355,270
Net Position - Beginning, as Restated	$ 9,551,975

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, 2017

	2017
Total Net OPEB Liability*	
Annual required contribution	$ 568,558
Change in value of irrevocable trusts	(680,583)
Pay as you go contribution	(386,897)
Net Changes in Total OPEB Liability	(498,922)
Total Net OPEB Liability (asset) - beginning	(4,029,971)
Total Net OPEB Liability (asset) - ending (a)	$ (4,528,893)
Plan Fiduciary Net Position**	
Net investment income	749,118
Administrative expense	(68,535)
Net Change in Plan Fiduciary Net Position	680,583
Plan Fiduciary Net Position - beginning	7,355,270
Plan Fiduciary Net Position - ending (b)	$ 8,035,853
Covered-employee payroll	$ 35,025,360

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

* The Total Net OPEB Liability was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Actuarially determined contribution	$ 568,558
Contributions in relations to the actuarially determined contribution	(386,897)
Contribution deficiency (excess)	$ 181,661
Covered-employee payroll	$ 35,025,360
Contribution as a percentage of covered-employee payroll	1.10%

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	10.06%

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method *Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
February 1, 2012	$ 2,027,100	$ 6,253,735	$ 4,226,635	32.41%	$ 43,070,755	9.81%
February 1, 2014	3,288,535	7,224,899	3,936,364	45.52%	52,594,073	7.48%
February 1, 2016	7,816,021	8,325,249	509,228	93.88%	35,025,360	1.45%

* Entry age normal costs method

See accompanying note to required supplementary information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0682%	0.0779%	0.0581%
District's proportionate share of the net pension liability	$ 55,196,567	$ 52,472,482	$ 33,957,179
State's proportionate share of the net pension liability associated with the District	31,422,421	27,752,159	20,504,811
Total	$ 86,618,988	$ 80,224,641	$ 54,461,990
District's covered-employee payroll	$ 34,885,918	$ 33,717,601	$ 30,941,662
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	158.22%	155.62%	109.75%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.1071%	0.1032%	0.1033%
District's proportionate share of the net pension liability	$ 21,155,192	$ 32,474,152	$ 23,974,911
District's covered-employee payroll	27,478,113	24,617,297	21,652,411
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.99%	131.92%	110.73%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 4,475,608	$ 3,743,259	$ 2,994,123
Contributions in relation to the contractually required contribution	(4,475,608)	(3,743,259)	(2,994,123)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 35,577,170	$ 34,885,918	$ 33,717,601
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 3,710,189	$ 3,255,332	$ 2,897,702
Contributions in relation to the contractually required contribution	(3,710,189)	(3,255,332)	(2,897,702)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 26,715,071	$ 27,478,113	$ 24,617,297
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%

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

See accompanying note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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. There were no changes in benefit terms or assumptions in the current year.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation date: Actuarially determined contribution rates are calculated as of February 1, 2016, which is at least two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	23 years
Asset Valuation method	5-year smoothed market
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.0 percent, net of OPEB plan investment expense, including inflation
Retirement age	Expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	2009 CalSTRS Mortality Table for Certificated employees 2014 CalPERS Active Mortality for Miscellaneous Employees for Classified employees

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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 Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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 in 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

DISTRICT ORGANIZATION
JUNE 30, 2017

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Joseph Williams	President	2018
Gloria Macias Harrison	Vice President	2020
Donna Ferracone	Clerk	2018
John Longville	Member	2020
Dr. Donald L. Singer	Member	2018
Dr. Anne Viricel	Member	2020
Frank Reyes	Member	2020
Jajuan Dotson	Student Trustee, CHC	2018
Autumn Blackburn	Student Trustee, SBVC	2018

ADMINISTRATION

Bruce Baron, M.S.	Chancellor
Diana Rodriquez, M.Ed.	President - San Bernardino Valley College
Dr. Wei Zhou, Ph.D.	President - Crafton Hills College

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Supplemental Educational Opportunity Grant	84.007		$ 492,877
Federal Work Study	84.033		366,904
Federal Pell Grant	84.063		19,246,655
Supplemental Educational Opportunity Grant - Administrative Allowance	84.007		30,974
Federal Work Study - Administrative Allowance	84.033		18,345
Federal Pell Grant - Administrative Allowance	84.063		31,526
Total Student Financial Assistance Cluster			20,187,281
Title IV - TRIO - Student Support Services	84.042A		267,714
Minority Science and Engineering Improvement Program	84.120A		67,655
Title V - Hispanic Serving Institutions - Strategies to Improve Hispanic Student Success and Transfer	84.031S		15,464
Title V - Hispanic Serving Institutions - Creating a STEM Pathway to Increase Hispanic Student STEM Degrees and Transfer	84.031C		580,744
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (Perkins Title I-C)	84.048	13-C01-046	524,533
CTE Transitions	84.048A	13-112-982	63,838
Passed through the State of California - Department of Rehabilitation			
Workability III Program	84.126A	30047	140,908
Total U.S. Department of Education			21,848,137
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		5,072
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	[1]	230,947
United States Department of Agriculture Cultivating Diversity Grant	10.226		33,140
Total U.S. Department of Agriculture			264,087

[1] Pass-Through Entity Identifying Number not available.
** Research and Development Grant.

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
TANF Work Study	17.258		$ 147,911
Passed through from the Chaffey Community College			
Trade Adjustment Assistance Community College and Career Training Grants	17.282	[1]	502,960
Total U.S. Department of Labor			650,871
NATIONAL SCIENCE FOUNDATION			
Bridging the Water Divide**	47.076		24,628
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[1]	74,657
Foster and Kinship Care Education Program	93.658	[1]	93,058
Passed through the California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	15136	88,896
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	193,536
Passed through from Yosemite Community College District			
Child Development Consortium	93.575	17-7280-0677	24,850
Total CCDF Cluster			307,282
Total U.S. Department of Health and Human Services			474,997
U.S. DEPARTMENT OF COMMERCE			
Pass-through California Manufacturers and Technology Consulting (CMTC)			
Manufacturing Extension Partnership	11.611	70NANB15H196	64,554
Total Expenditures of Federal Awards			$ 23,332,346
Student Financial Aid Loan Programs			
Loans Outstanding			
San Bernardino Community College District had the following loan balance outstanding as of June 30, 2016:			
Perkins Program	84.038		$ 167,985

[1] Pass-Through Entity Identifying Number not available.
** Research and Development Grant.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
PROP 30 - EPA	$ 12,537,563	$ -	$ 12,537,563
AB104 ADULT ED BLOCK GRANT	9,961,494	-	9,961,494
AEBG DATA AND ACCOUNTABILITY	-	494,311	494,311
AB86 ADULT CONSORTIUM	-	2,881,916	2,881,916
SFAA-BFAP ADM ALLOWANCE	733,972	-	733,972
ENROLLMENT GROWTH/NURSING PGM	182,500	-	182,500
COLLEGE FUTURES FOUNDATION	20,000	-	20,000
AB798 TEXTBOOK AFFORDABILITY	31,000	-	31,000
EOPS-CARE PROGRAM	206,875	-	206,875
EOPS	1,455,999	-	1,455,999
HANDICAPPED STUDENT PROGRAMS	1,215,654	-	1,215,654
CHILD DEVELOPMENT	398,289	-	398,289
STATE PRESCHOOL GRANT	1,723,487	-	1,723,487
CHILD CARE FOOD PROGRAM	12,616	-	12,616
FOSTER PARENTS	75,330	1,759	77,089
YOUTH EMPOWERMENT STR (FRM ILP	22,500	-	22,500
STUDENT EQUITY GRANT	2,018,930	125,377	2,144,307
TELECOMMUNICATIONS TECHNOLOGY	-	5,641	5,641
BASIC SKILLS	209,653	213,476	423,129
INSTRUCTIONAL EQUIPMENT ALLOC.	-	306,996	306,996
BLOCK GRANT FY 98	2,486,519	847,530	3,334,049
MATRICULATION FUNDS	5,009,486	2,652,349	7,661,835
LOTTERY - RESTRICTED PORTION	695,370	-	695,370
3C MEDIA SOLUTIONS	-	291,394	291,394
PROP 39 - CLEAN ENERGY FUNDING	564,154	319,684	883,838
ALTERNATE TEXT PRODUCTION CNTR	1,700,000	-	1,700,000
EDUCATIONAL PLANNING INITIATIVE	135,000	-	135,000
CalWORKS	825,773	-	825,773
PROP 39 REGION F COLLEGES/SBVC	25,000	-	25,000
EQUAL EMPLOYMENT OPPORTUNITY	66,994	11,055	78,049
STATE OF CALIFORNIA - EDD	225,000	-	225,000
STRONG WORKFORCE PROGRAM	1,770,527	-	1,770,527
REGIONAL SHARES STRONG WORKFORCE	171,094	-	171,094

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
$ 12,368,074	$ 4,556	$ -	$ -	$ 12,372,630	$ 12,372,630
9,961,494	-	1,053,736	-	8,907,758	8,907,758
494,311	-	494,311	-	-	-
2,889,536	-	461,604	-	2,427,932	2,427,932
733,972	-	-	-	733,972	733,972
172,471	-	-	(16,850)	155,621	155,621
20,000	-	4,374	-	15,626	15,626
28,346	-	20,587	-	7,759	7,759
212,191	-	-	(5,175)	207,016	207,016
1,471,897	-	-	(29,939)	1,441,958	1,441,958
1,232,889	-	-	-	1,232,889	1,232,889
332,701	65,588	-	-	398,289	398,289
1,498,303	167,068	-	-	1,665,371	1,665,371
10,134	2,482	-	-	12,616	12,616
36,962	40,127	-	-	77,089	77,089
2,135	20,603	-	-	22,738	22,738
2,989,992	-	729,211	-	2,260,781	2,260,781
5,641	-	5,641	-	-	-
433,496	-	220,020	-	213,476	213,476
306,996	-	96,005	-	210,991	210,991
3,334,038	-	1,724,941	-	1,609,097	1,609,097
7,669,616	62,215	2,308,330	-	5,423,501	5,423,501
431,995	326,956	-	-	758,951	758,951
291,394	-	291,394	-	-	-
319,684	184,468	337,023	-	167,129	167,129
1,700,000	-	-	-	1,700,000	1,700,000
67,500	-	60,430	-	7,070	7,070
825,773	-	-	(58,262)	767,511	767,511
-	25,000	-	-	25,000	25,000
71,055	-	68,555	-	2,500	2,500
34,875	73,484	73,974	-	34,385	34,385
1,770,527	-	1,574,185	-	196,342	196,342
171,094	-	171,094	-	-	-

SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2017

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
MIDDLE COLLEGE HIGH SCHOOL	$ 109,000	$ -	$ 109,000
STUDENT MENTAL HEALTH PROGRAM	1,000	-	1,000
RAMP UP/VICTOR VALLEY CC	96,929	463,721	560,650
INDUSTRY DRIVEN REG COLL/14-326	-	102,755	102,755
ETP#5 16-0111 7/31/2017	-	723,230	723,230
CALTRANS WORKCREW PROJ/ATTC	-	403,223	403,223
ICT/DIGITAL MEDIA - ATTC	200,000	161,880	361,880
ICT/DIGITAL MEDIA-1070	-	100,000	100,000
CALTRANS - PAROLEE WORKCREW 7/16	2,924,784	-	2,924,784
IDRC/ACUTE LABOR 15-198-005	279,928	-	279,928
CTE DATA UNLOCKED INITIATIVE	50,000	-	50,000
INNOVATION AND EFFECTIVENESS GRANT	200,000	-	200,000
BUTTE COLLEGE/CA DEPT OF HR	17,034	-	17,034
ICT/DIGITAL MEDIA1070 12/31/17	100,000	-	100,000
STAFF DEVELOPMENT	-	1,241	1,241
Total State Awards			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
$ 39,600	$ 60,974	$ -	$ -	$ 100,574	$ 100,574
928	-	-	-	928	928
540,079	-	184,840	-	355,239	355,239
102,757	-	-	-	102,757	102,757
489,396	140,481	-	-	629,877	629,877
480,223	-	440,557	-	39,666	39,666
121,880	80,000	-	(355)	201,525	201,525
-	100,000	-	-	100,000	100,000
616,936	375,067	-	-	992,003	992,003
111,971	120,616	-	-	232,587	232,587
50,000	-	12,353	-	37,647	37,647
200,000	-	181,609	-	18,391	18,391
4,174	-	4,174	-	-	-
-	8,265	-	-	8,265	8,265
1,241	-	248	-	993	993
$ 54,648,277	$ 1,857,950	$ 10,519,196	$ (110,581)	$ 45,876,450	$ 45,876,450

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE YEAR ENDED JUNE 30, 2017

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit	-	-	-
2. Credit	701.97	(6.83)	695.14
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit	-	-	-
2. Credit	524.45	-	524.45
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,900.92	(232.67)	8,668.25
(b) Daily Census Contact Hours	1,357.15	(18.24)	1,338.91
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	139.13	-	139.13
(b) Credit	973.27	-	973.27
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	995.39	-	995.39
(b) Daily Census Contact Hours	918.69	-	918.69
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	14,510.97	(257.74)	14,253.23
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	-	-	-
2. Credit	1,193.73	-	1,193.73

***** Annual report revised as of November 1, 2017

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, 2017

		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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 16,832,325	$ -	$ 16,832,325	$ 16,832,325	$ -	$ 16,832,325
Other	1300	13,116,153	-	13,116,153	13,116,153	-	13,116,153
Total Instructional Salaries		29,948,478	-	29,948,478	29,948,478	-	29,948,478
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	6,263,494	-	6,263,494
Other	1400	-	-	-	784,204	-	784,204
Total Noninstructional Salaries		-	-	-	7,047,698	-	7,047,698
Total Academic Salaries		29,948,478	-	29,948,478	36,996,176	-	36,996,176
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	15,486,749	-	15,486,749
Other	2300	-	-	-	1,375,400	-	1,375,400
Total Noninstructional Salaries		-	-	-	16,862,149	-	16,862,149
Instructional Aides							
Regular Status	2200	1,436,499	-	1,436,499	1,436,499	-	1,436,499
Other	2400	579,829	-	579,829	579,829	-	579,829
Total Instructional Aides		2,016,328	-	2,016,328	2,016,328	-	2,016,328
Total Classified Salaries		2,016,328	-	2,016,328	18,878,477	-	18,878,477
Employee Benefits	3000	10,479,224	-	10,479,224	20,000,436	-	20,000,436
Supplies and Material	4000	-	-	-	818,521	-	818,521
Other Operating Expenses	5000	100,164	-	100,164	9,871,110	-	9,871,110
Equipment Replacement	6420	-	-	-	283,000	-	283,000
Total Expenditures Prior to Exclusions		42,544,194	-	42,544,194	86,847,720	-	86,847,720

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, 2017

		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
Exclusions							
Activities to Exclude							
Student Health Services Above Amount Collected	6441	$ -	$ -	$ -	$ 545,264	$ -	$ 545,264
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,102,363	-	1,102,363
Lottery Expenditures							-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 1,969,447	$ -	$ 1,969,447
Capital Outlay							
Equipment	6300	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Exclusions		-	-	-	3,617,074	-	3,617,074
Total for ECS 84362, 50 Percent Law		$ 42,544,194	$ -	$ 42,544,194	$ 83,230,646	$ -	$ 83,230,646
Percent of CEE (Instructional Salary Cost/Total CEE)		51.12%		51.12%	100.00%		100.00%
50% of Current Expense of Education					$ 41,615,323		$ 41,615,323

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	General Fund	Bond Fund	KVCR Fund	KVCR Educational Foundation, Inc.
FUND BALANCE				
Balance, June 30, 2017, (CCFS-311)	$ 23,579,534	$ 41,435,298	$ 39,340	$ 686,304
Post closing entries				
Change in:				
Investments	-	77,323	-	-
Accounts receivable	-	-	(31,878)	
Prepaid expense	-	-	-	(29,164)
Accounts payable	(4,641,342)	-	-	-
Inter-fund borrowings	60	-	230,379	(230,379)
Balance, June 30, 2017, Audited	$ 18,938,252	$ 41,512,621	$ 237,841	$ 426,761

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2017

Activity Classification	Object Code			Unrestricted	
EPA Proceeds:	8630				$ 12,372,630
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ -	-	-	$ 12,372,630
Total Expenditures for EPA		$ -	-	-	$ 12,372,630
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Fund	$ 18,938,352	
Special Revenue Funds	486,563	
Capital Project Funds	51,659,884	
Debt Service Funds	33,537,542	
Enterprise Funds	310,906	
Internal Service Funds	13,747,477	
Fiduciary Funds	144,582	
Total Fund Balance - All District Funds		**$ 118,825,306**
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	686,483,609	
Accumulated depreciation is	(141,765,296)	
Less fixed assets already recorded in the enterprise funds	(83,647)	544,634,666
The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. The balance represents the unamortized deferred charges on refunding amounts as of June 30, 2017.		13,276,638
In governmental funds, postemployment benefit costs are recognized as expenditures in the period they are paid. In the government-wide financial statements, postemployment benefit costs are recognized in the period that they are incurred. The other postemployment benefit net asset is a result of the accumulated contributions in access of the annual required contribution (ARC).		4,528,893
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	8,185,797	
Net change in proportionate share of net pension liability	10,806,254	
Difference between projected and actual earnings on pension plan investments	7,670,706	
Differences between expected and actual experience in the measurement of the total net pension liability	909,876	
Total Deferred Outflows of Resources Related to Pensions		27,572,633

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2017

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	$ (19,029,971)	
Differences between projected and actual earnings on pension plan investments		
Differences between expected and actual experience in the measurement of the total pension liability.	(1,346,457)	
Changes in assumptions	(635,588)	
Total Deferred Inflows of Resources Related to Pensions		$ (21,012,016)
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(7,562,197)
Long-term liabilities at year end consist of:		
Bonds payable	548,279,195	
Community service grant payable	109,374	
Compensated absences	3,346,683	
Aggregate net pension liability	76,351,759	$ (628,087,011)
Total Net Position		**$ 52,176,912**

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 20172017

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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, 2017, was $154,833.

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

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

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

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

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 20172017

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 20, 2017.

Purpose of This Report

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

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
November 20, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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.

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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, 2017.

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 are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. 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 identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, 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 Management's Response and Corrective Action Plan. 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.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
November 20, 2017

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in March 2017. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 479 To Be Arranged (TBA) Hours. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2017.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

The District did not offer Intersession Extension Programs; 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 response to the finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on the response.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
November 20, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, and 84.063	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

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

Name of State Program
Section 479 - To Be Arranged (TBA) Hours

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 Special Test and Provisions

Federal Program Affected

U.S. Department of Education (DOE), Student Financial Assistance Cluster, Federal Pell Grant Program (CFDA #84.063)

Criteria or Specific Requirement

34 CFR section 668.22(j):

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

34 CFR Section 668.173(b):

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

Condition

Significant Deficiency – The District did not calculate the withdrawal date within 30 days of the end of the academic period.

Significant Deficiency – The District's portion of the Return to Title IV funds were not returned within the 45 day requirement.

Questioned Costs

No questioned costs. The District did calculate the withdrawal date; however, they did not calculate it within the 30 day requirement.

No questioned costs. The District did return the funds; however, they were not returned within the 45 day requirement.

Context

There were 10 instances out of 40 tested where the District did not calculate the withdrawal date for the student within the 30 day requirement.

There was 1 instance out of 40 tested where the District's portion of the Return to Title IV funds was not returned within the 45 day requirement.

Effect

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

Without proper monitoring of Title IV returns, the District risks noncompliance with the above referenced criteria.

Cause

The College did not have a procedure in place to monitor the student withdrawal dates and calculate them accordingly.

The College did not have a procedure in place to monitor the Return of Title IV funds.

Recommendation

It is recommended that the District implement procedures to ensure that the student withdrawal calculations occur within 30 days from the end of the academic period.

It is recommended that the District implement procedures to ensure that the Return of Title IV funds occurs within 45 days from the date the District determines that the student withdrew from classes.

Management's Response and Corrective Action Plan

Management's response is reported in the Management's Response and Corrective Action Plan included at the end of this report.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

2017-002 Section 479 To Be Arranged (TBA) Hours

Criteria or Specific Requirement

California Community Colleges State Chancellor's Office Student Attendance Accounting Manual requires the listing of classes with To Be Arranged (TBA) hours to be listed in the schedule of classes and described in the course outline. The official course outline of record must include the number of TBA hours and specific instructional activities/learning outcomes for TBA hours expected of all students enrolled in the course. Additionally, the TBA hours for student participation are required to be tracked to ensure only actual hours of attendance are claimed for apportionment purposes. Furthermore, students must participate for the required number of TBA hours in a manner consistent with the student attendance accounting method specified for the course.

Condition

The District did not provide adequate supporting documentation in compliance with the California Community College Chancellor's Office requirements for TBA hours claimed for apportionment.

Questioned Costs

The auditor extrapolated the error rate over the population by college and noted 257.57 Resident FTES (139.33 FTES related to San Bernardino Valley College and 118.24 related to Crafton Hills College) and 8.58 Non-Resident FTES (7.45 FTES related to San Bernardino Valley College and 1.13 related to Crafton Hills College) that were questioned.

Context

The auditor stratified the population from the District's Annual Attendance report, and randomly sampled twenty-two classes. From this population, eight out of nine courses from the Crafton Hills College and nine out of thirteen classes from the San Bernardino Valley College did not meet the Chancellor's Office requirements.

Effect

The District over reported 135,224.44 Resident contact hours and 4,506.94 Non-Resident contact hours related to TBA hours. The District corrected the information in their November Recalc Report.

Cause

During the fiscal year, some classes were incorrectly being recorded as TBA hours, and the syllabus and outlines were not being reviewed to ensure the correct information was included.

Recommendation

The District should implement a procedure to review class schedule, course outline, and course syllabi to ensure that all TBA hours classes are being properly classified and all the necessary information is included to meet the Chancellor's Office requirements.

Management's Response and Corrective Action Plan

Management's response is reported in the Management's Response and Corrective Action Plan included at the end of this report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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.

State Awards Findings

2016-001 State General Apportionment Funding Formula

Criteria or Specific Requirement

CCR, title 5, sections 58020-24, continues to require the District to maintain detailed documentation to substantiate the data reported on the "Apportionment Attendance Report" Form CCFS-320. Each district governing board is required to adopt procedures to document all course enrollment, attendance, and disenrollment as required by CCR, title 5, sections 58020-58024. Pursuant to title 5, section 58030, these procedures shall include rules for retention of support documentation that would enable independent determination of the accuracy of data submitted by the District as a basis for State support.

The burden is on the District to develop a system and related procedures that are consistent with applicable CCR, title 5 requirements, including those provided by Sections 58000, 58004, and 58030.

Condition

The District miscalculated the contact hours for 37 courses from the Fall 2015 and Spring 2016 semesters. These courses are weekly and daily census type courses that were for a specific length of time. The miscalculation resulted in the overstatement of contact hours and, consequently, the amount of FTES claimed for funding.

Questioned Costs

Auditor expanded testing of all contact hours related to the type of courses noted in condition and noted an overstatement by a total of 4,792.65 (9.129 FTES) from resident students and 48.65 (0.093 FTES) from non-resident students.

Context

The District claimed a total of 10,797.98 for the primary terms (Fall and Spring) for daily and weekly census types. The 9.22 overstatement constitutes a 0.08 percent overstatement.

Based on the District's funding of $4,675.90 per FTES, the FTES overstatement is equivalent to $43,121.18.

Effect

The FTES was overstated by 9.222 FTES.

Cause

The District's system was not set up correctly to properly calculate the type of classes noted in Condition.

Recommendation

The 320 Annual Report should be corrected to properly state the amount of FTES claimed, and the system needs to be reconfigured to properly calculate the amount of contact hours to prevent future miscalculations in FTES.

Current Status

Implemented.

San Bernardino Community College District
114 South Del Rosa Drive • San Bernardino, CA 92408 • Phone (909)382-4000

November 8, 2017

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN
IN ACCORDANCE WITH 2 CFR 200, UNIFORM GUIDANCE, FOR THE YEAR ENDED JUNE 30, 2017

2017-001 Special Test and Provisions

Management is reviewing its process for calculating student withdrawal calculations to ensure calculations are performed within 30 days from the end of the academic period. In addition, management is reviewing the refund process and will make adjustments so that Title IV funds are returned prior to the 45-day deadline.

2017-002 Section 479 To Be Arranged Hours (TBA)

The District filed an amended 320 Annual Report with the State Chancellor's Office in early November 2017. For FY 2018, the Colleges will develop a plan to review courses scheduled with TBA hours, including the attendance accounting method used for these courses, to ensure compliance with the State Chancellor's Office requirements.

Jose F. Torres
Vice Chancellor, Business & Fiscal Services
San Bernardino Community College District