

**SAN BERNARDINO COMMUNITY
COLLEGE DISTRICT**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORTS**

JUNE 30, 2013

SAN BERNARDINO COUNTY

**SAN BERNARDINO VALLEY COLLEGE
SAN BERNARDINO, CALIFORNIA**

**CRAFTON HILLS COLLEGE
YUCAIPA, CALIFORNIA**

**PROFESSIONAL DEVELOPMENT CENTER
SAN BERNARDINO, CALIFORNIA**

**KVCR-FM AND KVCR-TV
SAN BERNARDINO, CALIFORNIA**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
 AUDIT REPORT
 For the Fiscal Year Ended June 30, 2013
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AUDIT REPORT
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INDEPENDENT AUDITORS' REPORT

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*Licensed by the California
State Board of Accountancy*

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

We have audited the accompanying financial statements of the San Bernardino Community College District (the "District"), as of and for the year ended June 30, 2013, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 11, and the schedule of funding progress on page 41 be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Bernardino Community College District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013 on our consideration of San Bernardino Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 San Bernardino Community College District's internal control over financial reporting and compliance.

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

San Diego, California
December 18, 2013

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2013

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

As an independent division of San Bernardino Community College District, the Economic Development and Corporate Training Division carries out the economic and workforce development mission of the District through its two dedicated workforce training facilities: the Professional Development Center (PDC) and the Donald F. Averill Applied Technology Training Center (ATTC). The Division offers customized and short-term training programs to residents in the Inland Empire, including San Bernardino, Colton, Rialto, Highland, Bloomington, Grand Terrace, Redlands, Loma Linda, Yucaipa, and Big Bear.

KVCR-FM and KVCR-TV ("KVCR") is a public telecommunications entity owned and operated by the San Bernardino Community College District (the "District"), which provides radio and television stations to the Inland Empire area of Southern California. These stations provide the public with a variety of musical, informational, and educational programming.

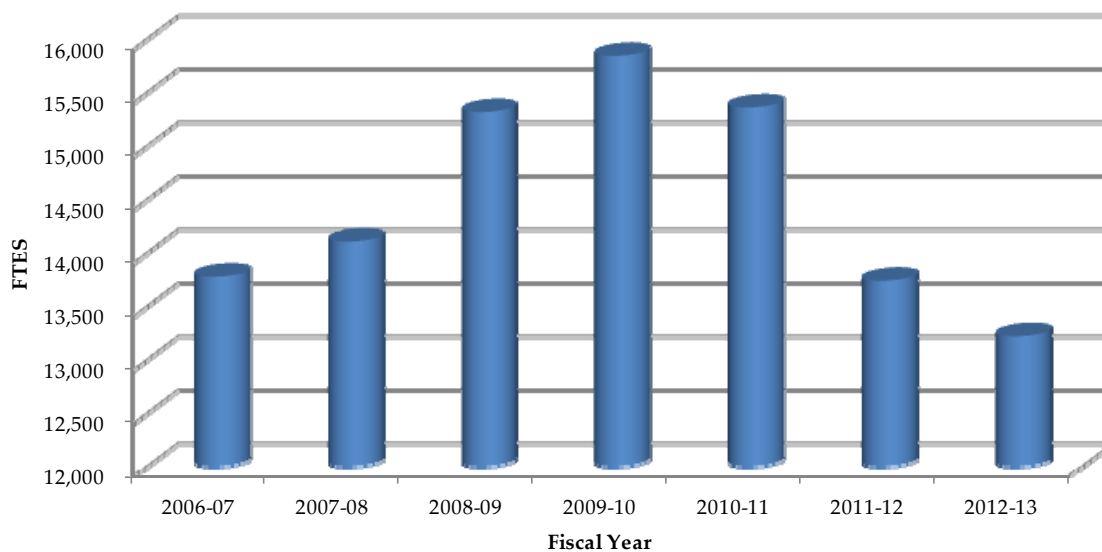
The following discussion and analysis provides an overview of the financial position and activities of the San Bernardino Community College District (the "District") for the year ended June 30, 2013. The discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follows this section.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

SELECTED HIGHLIGHT

- During fiscal year 2012-13, total Full time Equivalent Students (FTES) declined by 498 students (3.6%) for credit courses and declined by 20 students (100%) for non-credit courses.

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



| Full Time Equivalent Students | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| Credit | 13,754 | 14,093 | 15,291 | 15,757 | 15,310 | 13,716 | 13,218 |
| Non-Credit | 21 | 10 | 22 | 81 | 46 | 20 | - |
| Totals | 13,775 | 14,103 | 15,314 | 15,838 | 15,357 | 13,736 | 13,218 |
| Credit % Increase (Decrease) | 3.59% | 2.47% | 8.50% | 3.05% | -2.84% | -10.41% | -3.63% |
| Non-Credit % Increase (Decrease) | 80.58% | -52.52% | 125.71% | 264.78% | -42.72% | -56.73% | -100.00% |
| Totals | 3.71% | 2.43% | 8.67% | 4.38% | -2.96% | -10.48% | -3.63% |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35 on July 1, 2002. This adoption changed the format and the content of the District's basic financial statements. The District is following the Business Type Activity (BTA) model. Rather than issuing fund-type financial statements, these Statements require the following components to be included in the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements including Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows for the District as a whole.
- Notes to Financial Statements

Additionally, fund balance is referred to as Net Assets, and the Statements of Cash Flows are presented using the direct method.

The basic financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis used by most private-sector organizations. The Statement of Net Assets is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Assets presents end-of-year data concerning assets, liabilities, and net assets.

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

The difference between total assets and total liabilities is one indicator of the current financial condition of the District: the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Statement of Net Assets (continued)

The Net Assets are divided into three major categories. The first category, invested in capital assets, net of related debt provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net assets: these net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the asset. The final category is unrestricted net assets that are available to the District for any lawful purpose of the District.

A summary of the Statement of Net Assets as of June 30, 2013 and June 30, 2012 is shown below (amounts in thousands):

| | Governmental Activities | | |
|---|-------------------------|-------------------|-----------------|
| | 2013 | 2012 | Net Change |
| ASSETS | | | |
| Current assets | \$ 290,845 | \$ 328,886 | \$ (38,041) |
| Non-current assets | 389,942 | 352,552 | 37,390 |
| Total Assets | 680,787 | 681,438 | (651) |
| LIABILITIES | | | |
| Current liabilities | 29,793 | 35,832 | (6,039) |
| Non-current liabilities | 464,047 | 463,681 | 366 |
| Total Liabilities | 493,840 | 499,513 | (5,673) |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 146,345 | 156,695 | (10,350) |
| Restricted | 39,651 | 39,650 | 1 |
| Unrestricted | 951 | (14,421) | 15,372 |
| Total Net Position | \$ 186,947 | \$ 181,924 | \$ 5,023 |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Statement of Revenues, Expenses, and Changes in Net Assets

The Statements of Revenues, Expense, and Changes in Net Assets represent the operating results of the District. The purpose of the statements is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. Thus, these statements present the District's results of operations.

Changes in total net assets, as indicated on the Statements of Net Assets are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Assets.

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. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2013 and June 30, 2012 is summarized below (amounts in thousands):

| | Governmental Activities | | |
|---|-------------------------|--------------------|-----------------|
| | 2013 | 2012 | Net Change |
| Revenues | | | |
| Tuition and fees (net) | \$ 5,881 | \$ 6,154 | \$ (273) |
| Grants and contracts, noncapital | 48,912 | 42,736 | 6,176 |
| Auxiliary enterprises sales | 2,032 | 4,083 | (2,051) |
| General revenues - property taxes | 39,475 | 33,056 | 6,419 |
| General revenues - unrestricted federal and state aid | 50,930 | 53,288 | (2,358) |
| General revenues - other | 3,424 | 5,881 | (2,457) |
| Total Revenue | 150,654 | 145,198 | 5,456 |
| Expenses | | | |
| Operating expenses | 140,072 | 135,854 | 4,218 |
| Interest | 26,480 | 32,220 | (5,740) |
| Total Expenses | 166,552 | 168,074 | (1,522) |
| Change in net position | \$ (15,898) | \$ (22,876) | \$ 6,978 |
| Net Assets - Beginning* | 181,924 | 204,800 | (22,876) |
| Adjustment for Restatement (see Note 12) | 20,921 | - | 20,921 |
| Net Assets - Restated | 202,845 | 204,800 | (1,955) |
| Net Assets - Ending | \$ 186,947 | \$ 181,924 | \$ 5,023 |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for non-operating, non-investing, and non-capital financing purposes. The third part shows cash flows from capital and related financing activities. This part deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

The Statement of Cash Flows for the fiscal years ended June 30, 2013 and June 30, 2012 is summarized below (amounts in thousands):

| | 2013 | 2012 |
|---|-------------------|-------------------|
| Operating activities | \$ (83,705) | \$ (83,705) |
| Noncapital financing activities | 86,110 | 86,110 |
| Capital and related financing activities | (44,703) | (44,703) |
| Investing activities | 1,861 | 1,860 |
| Net Change in Cash and Cash Equivalents | (40,437) | (40,438) |
| Cash and Cash Equivalents - Beginning of Year | 190,028 | 190,028 |
| Cash and Cash Equivalents - End of Year | <u>\$ 149,591</u> | <u>\$ 149,590</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. Net assets of fiduciary activities are excluded from the District's net assets because the District cannot use fiduciary assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Capital Assets

As of June 30, 2013, the District had approximately \$472.7 million invested in capital assets. Capital assets consist of land and land improvements, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other equipment that met the capitalization threshold recommended by GASB Statement No. 35. These assets have accumulated depreciation of \$82.7 million, leaving a net asset amount of \$389.9 million.

Note 5 to the financial statements provides detail information on capital assets. A summary of capital assets net of accumulated depreciation and changes therein is presented below (amounts in thousands):

| | Governmental Activities | | |
|-----------------------------------|-------------------------|-------------------|------------------|
| | 2013 | 2012 | Net Change |
| Land and construction in progress | \$ 56,222 | \$ 41,708 | \$ 14,514 |
| Buildings and equipment | 416,451 | 379,137 | 37,314 |
| Accumulated depreciation | (82,731) | (68,293) | (14,438) |
| Total Capital Assets | \$ 389,942 | \$ 352,552 | \$ 37,390 |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Management's Discussion and Analysis (Unaudited), continued
For the Fiscal Year Ended June 30, 2013

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The major economic factors that have an effect on the District's and all California Community College Districts' financial condition are directly related to the overall economic, budgetary, and fiscal condition of the State of California and any future legislation that may impact the funding of all community colleges in the state.

The FY 2013-2014 state budget for community colleges included a cost of living adjustment (COLA) of 1.57% on general purpose apportionments and 1.63% for restoration of funding statewide. The colleges are prepared to earn the additional growth funds while containing enrollments to available funding levels. Enrollment fees remain at \$46/unit. Although enrollment fees have increased 130% in the last 5 years, they are still among the lowest in the nation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Statement of Net Assets
June 30, 2013

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|--------------------|
| Cash and cash equivalents | \$ 120,461,142 |
| Investments | 143,336,719 |
| Accounts receivable | 21,448,576 |
| Prepaid expenses | 4,708,088 |
| Stores inventories | 890,200 |
| Total Current Assets | <u>290,844,725</u> |

NONCURRENT ASSETS

| | |
|---|--------------------|
| Nondepreciable capital assets | 56,221,778 |
| Depreciable assets, net of accumulated depreciation | 333,720,208 |
| Total Noncurrent Assets | <u>389,941,986</u> |
| TOTAL ASSETS | <u>680,786,711</u> |

LIABILITIES

CURRENT LIABILITIES

| | |
|----------------------------------|-------------------|
| Accounts payable | 21,625,190 |
| Deferred revenue | 2,505,845 |
| Current Portion - Long-term debt | 5,661,643 |
| Total Current Liabilities | <u>29,792,678</u> |

NONCURRENT LIABILITIES

| | |
|-------------------------------------|--------------------|
| Noncurrent portion - Long-term debt | 464,047,323 |
| TOTAL LIABILITIES | <u>493,840,001</u> |

NET POSITION

| | |
|---|-----------------------|
| Invested in capital assets, net of related debt | 146,344,671 |
| Restricted for: | |
| Debt service | 25,668,376 |
| Capital projects | 13,982,548 |
| Unrestricted | 951,115 |
| TOTAL NET POSITION | <u>\$ 186,946,710</u> |

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2013

| | |
|---|-----------------------|
| OPERATING REVENUES | |
| Student Tuition and Fees | \$ 12,376,218 |
| Less: Scholarship discount & allowance | (6,495,281) |
| Net tuition & fees | <u>5,880,937</u> |
| Grants and Contracts, noncapital: | |
| Federal | 29,913,984 |
| State | 11,298,965 |
| Local | 7,699,082 |
| Internal Service Sales and Charges | 2,031,832 |
| Subtotal | <u>50,943,863</u> |
| TOTAL OPERATING REVENUES | <u>56,824,800</u> |
| OPERATING EXPENSES | |
| Salaries | 54,467,202 |
| Benefits | 18,130,811 |
| Financial aid | 26,441,527 |
| Supplies, materials, & other expenses | 19,522,771 |
| Other outgo | 7,263,734 |
| Depreciation | 14,246,551 |
| TOTAL OPERATING EXPENSES | <u>140,072,596</u> |
| OPERATING LOSS | <u>(83,247,796)</u> |
| NONOPERATING REVENUES/(EXPENSES) | |
| State apportionments, non-capital | 35,951,730 |
| Local property taxes | 39,475,139 |
| State taxes & other revenues | 14,978,463 |
| Investment income - Non-capital | 581,765 |
| Other non-operating revenues | 2,302,688 |
| Interest expense | (26,479,800) |
| TOTAL NONOPERATING REVENUES | <u>66,809,985</u> |
| LOSS BEFORE OTHER REVENUES | (16,437,811) |
| OTHER REVENUES | |
| Local property taxes and revenues, capital | 539,648 |
| TOTAL OTHER REVENUES AND GAINS | <u>539,648</u> |
| DECREASE IN NET POSITION | (15,898,163) |
| NET POSITION, BEGINNING OF YEAR | <u>181,924,245</u> |
| ADJUSTMENT FOR RESTATEMENT (see Note 12) | 20,920,628 |
| NET POSITION, AS RESTATED | <u>202,844,873</u> |
| NET POSITION, END OF YEAR | <u>\$ 186,946,710</u> |

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|---------------------|
| Tuition and fees | \$ 5,880,937 |
| Grants and contracts | 46,676,061 |
| Payments to or on behalf of employees | (72,788,528) |
| Payments to vendors for supplies and services | (30,859,654) |
| Payments to students for scholarships and grants | (26,466,105) |
| Internal service sales and charges | 2,349,151 |
| Net Cash Used in Operating Activities | <u>(75,208,138)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|---|-------------------|
| State apportionments | 38,416,382 |
| Property taxes | 40,862,020 |
| State taxes and other revenue | 17,237,383 |
| Other noncapital financing | 2,302,688 |
| Net Cash Provided by Non-capital Financing Activities | <u>96,515,785</u> |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|--|---------------------|
| Acquisition and construction of capital assets | (27,934,481) |
| Principal paid on capital debt | (4,055,926) |
| Interest paid on capital debt | (19,028,901) |
| Interest received on capital debt | 325,709 |
| Net Cash Used by Capital Financing Activities | <u>(50,693,599)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|----------------|
| Investment income | 256,056 |
| Net Cash Provided/(Used) by Investing Activities | <u>256,056</u> |

NET DECREASE IN CASH & CASH EQUIVALENTS (29,129,896)

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR 149,591,038

CASH & CASH EQUIVALENTS, END OF YEAR \$ 120,461,142

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Statement of Cash Flows, continued
For the Fiscal Year Ended June 30, 2013

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

| | |
|---|------------------------|
| Operating loss | \$ (83,247,796) |
| Adjustments to Reconcile Operating Loss to Net Cash Flows from Operating Activities: | |
| Depreciation expense | 14,246,551 |
| Changes in Assets and Liabilities: | |
| Receivables, net | 2,235,970 |
| Inventories | (242,078) |
| Prepaid items | 361,601 |
| Accounts payable and accrued liabilities | (7,578,490) |
| Deferred revenue | (983,896) |
| Total Adjustments | <u>8,039,658</u> |
| Net Cash Flows From Operating Activities | <u>\$ (75,208,138)</u> |

**CASH AND CASH EQUIVALENTS CONSIST
OF THE FOLLOWING**

| | |
|-----------------------------------|-----------------------|
| Cash in banks | \$ 1,526,761 |
| Cash in county treasury | 118,934,381 |
| Investments | 143,336,719 |
| Total Cash and Investments | <u>\$ 263,797,861</u> |

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Statement of Net Assets – Fiduciary Funds
June 30, 2013

| | Fiduciary Funds Agency | Fiduciary Funds Trust | OPEB Trust |
|---|---------------------------------------|--------------------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 582,809 | \$ 1,237,687 | \$ 3,005,896 |
| Accrued income | 303 | 1,105 | 4,873 |
| Total Assets | 583,112 | 1,238,792 | 3,010,769 |
| LIABILITIES | | | |
| Accounts payable | 10,610 | 36,558 | - |
| Due to student groups | 572,502 | - | - |
| Total Liabilities | 583,112 | 36,558 | - |
| NET ASSETS | | | |
| Restricted Net Assets | - | 1,202,234 | 3,010,769 |
| Total Liabilities and Net Assets | \$ 583,112 | \$ 1,238,792 | \$ 3,010,769 |

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Statement of Changes in Net Assets – Fiduciary Funds
June 30, 2013

| | Fiduciary Funds Trust | OPEB Trust |
|--|--------------------------------------|-----------------------|
| Additions | | |
| Scholarship donations | \$ 163,796 | \$ - |
| Student representation fee | 185,156 | - |
| Investment gain | 4,957 | 227,115 |
| Employer contributions | - | 750,000 |
| Total Additions | 353,909 | 977,115 |
| Deletions | | |
| Scholarship awards | 164,784 | - |
| Administrative expense | 230,464 | 29,761 |
| Other adjustments | 165,256 | - |
| Total Deletions | 560,504 | 29,761 |
| INCREASE/(DECREASE) IN NET ASSETS | (206,595) | 947,354 |
| NET ASSETS, BEGINNING OF YEAR | 1,408,829 | 2,063,415 |
| NET ASSETS, END OF YEAR | \$ 1,202,234 | \$ 3,010,769 |

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements
June 30, 2013

NOTE 1 – ORGANIZATION

The San Bernardino Community College District (District) is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. The District, formed in 1926, operates two co-educational two-year community colleges, San Bernardino Valley College and Crafton Hills College, and a Professional Development Center. The colleges are tax supported and governed by a locally elected Board of Trustees acting through the administration of the District and the Presidents of the respective colleges. The school districts within the boundaries of the District include Bear Valley, Fontana, Redlands, Rialto, Rim of the World, and San Bernardino City Unified School Districts, and Colton and Yucaipa-Calimesa Joint Unified School Districts. The District is located in San Bernardino County, with the exception that portions of Colton Joint Unified School District and Yucaipa-Calimesa Joint Unified School District are located in Riverside County.

Financial Reporting Entity

The District has adopted GASB Statement No. 39, *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.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14 and Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board of Trustee's ability to exercise oversight responsibility. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used to evaluate potential component units is the existence of special financing relationships, regardless of the whether the District is able to exercise oversight responsibilities.

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

KVCR Educational Foundation, Inc. is a 501 (c)(3) nonprofit organization formed to meet the funding requirements of KVCR-TV/FM, a wholly owned broadcasting affiliate of the District. KVCR Educational Foundation, Inc. has been included as blended component unit. The Foundation also issues a stand-alone audited financial report, which can be obtained from the District or the Foundation.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 1 – ORGANIZATION (continued)

Financial Reporting Entity (continued)

Based on the application of the criteria listed above, the following potential component units have been excluded from the District's reporting entity:

- The San Bernardino Community College District Public Entity Investment Trust
- The San Bernardino Valley College Foundation
- The Crafton Hills College Foundation

The Foundations are separate, not-for-profit corporations. Their Board of Directors are appointed independent of any District Board of Trustee appointments. Their Boards are responsible for approving their own budgets and accounting and financing related activities.

Separate financial statements for the Foundations and Investment Trust may be obtained through the District.

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with five joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. The JPAs are the School Alliance for Workers' Compensation Excess II Self-Funded Joint Powers Authority (SAWCZ II), the Schools Association For Excess Risk (SAFER), the California Community College Financing Authority (CCCFA), the San Bernardino Regional Emergency Training Center (SBRETC), and the Statewide Association of Community Colleges (SWACC).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and No. 38. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place and amounts are available. 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, available means expected to be received within 90 days of fiscal year end.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain grants, entitlements, and donations. Revenue from State apportionments is generally recognized in the fiscal year in which it is apportioned from the State. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community Colleges Chancellor's Office.

The District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, now codified in the FASB Accounting Standards Codification, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office Budget and Accounting Manual.

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Cash equivalents also include cash with county treasury balances for purposes of the statements of cash flows.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair market value. Fair market value is estimated based on published market prices at year-end. Investments for which there are no quoted market prices are not material.

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 grant 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. Management has analyzed these accounts and believes all amounts are fully collectable.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

Inventory

Inventory consists primarily of expendable supplies held for consumption. Inventories are stated at the lower of cost or market, utilizing the first-in, first-out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of \$5,000. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed. Routine repairs and maintenance that do not extend the life of the building or equipment are charged as operating expenses in the year the expense is incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 40 to 50 years; improvements, 20 to 25 years; equipment, 5 to 15 years.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-Term Obligations

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees, who have accumulated the leave, are paid. The District also participated in “load-banking” with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

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, 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.

Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred revenues include (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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

GASB Statements No. 34 and No. 35 report equity as “Net Assets.” Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

- **Invested in Capital Assets, Net of Related Debt** – Capital Assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted – Expendable** – Net assets whose use by the District is subject to externally imposed constraints that can be fulfilled by actions of the District pursuant to those constraints or by the passage of time.
- **Unrestricted** – Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$39,650,924 of restricted net assets.

Operating Revenues and Expenses

Classification on Revenues – The District has classified its revenues as either operating or nonoperating according to the following criteria:

- **Operating revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as, (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most Federal, State, and local grants and contracts, and (4) interest on institutional student loans.
- **Nonoperating revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources described in GASB Statement No. 34.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses (continued)

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

- **Operating expenses** – Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** – Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the state are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District’s financial records when received.

On-Behalf Payments

GASB Statement No. 24 requires direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on-behalf payments to the State Teachers and the Public Employees Retirement Systems (CalSTRS and CalPERS) on behalf of all community colleges in California. The amounts of on-behalf payments were \$1,163,584 and \$0 for CalSTRS and CalPERS, respectively.

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 amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

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.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statements of Revenues, Expenditures, and Changes in Net Assets. 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 payment on the students' behalf. To the extent that fee waivers and discount have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in Federally funded Pell Grants, SEOG Grants, and Federal Work-Study. 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. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the fiscal year ended June 30, 2013, the District distributed \$24,871,585 in the programs noted above through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students; however, the amounts are included on the Schedule of Expenditures of Federal Awards.

Interfund Activity

Exchange transactions between funds of the District are reported as revenues and expenses within the statements of Revenues, Expenses, and Changes in Net Assets. Flows of cash or goods from one fund to another without a requirement for repayment are recognized as interfund transfers within the District's fund financial statements. Amounts owing between funds for both exchange and non-exchange transactions are recorded as interfund receivables and payables within the District's fund financial statements. Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the entity-wide financial statements.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 3 – CASH AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; 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 41001). The fair market 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 market 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 | 40% | 10% |
| Negotiable Certificates of Deposit | 5 years | 40% | None |
| Repurchase Agreements | 1 year | None | None |
| Reverse Repurchase Agreements | 92 days | 20% of base | None |
| Medium-Term Corporate Notes | 5 years | 30% | None |
| Mutual Funds | N/A | 20% | 10% |
| Money Market Mutual Funds | N/A | 20% | 10% |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| County Pooled Investment Funds | N/A | None | None |
| Local Agency Investment Fund (LAIF) | N/A | None | None |
| Joint Powers Authority Pools | N/A | None | None |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 3 – CASH AND INVESTMENTS (continued)

Authorized Under Debt Agreements

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

Summary of Cash and Investments

Cash and investments as of June 30, 2013, consist of the following:

| | |
|---|----------------|
| Cash on hand and in banks | \$ 651,875 |
| Revolving cash fund | 52,100 |
| Cash with fiscal agent | 822,786 |
| Investment in San Bernardino County Investment Pool | 118,934,381 |
| Investments | 143,336,719 |
| Total Cash and Investments | \$ 263,797,861 |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County Investment Pool and in other investment agreements.

Specific Identification and Credit Risk

Information about the sensitivity of the fair market values of the District's investments to market interest rate fluctuations is indicated by the following schedule that shows the distribution of the District's investment by maturity. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. Since all District investment holdings are governmental securities, per California Government Code there is no minimum legal rating.

| Investment or Deposit Type | Fair Market Value | Days to Maturity | Minimum Legal Rating | Rating 6/30/2013 |
|---|-------------------|------------------|----------------------|------------------|
| Dreyfus Tax Exempt Cash Mgmt 675, CUSIP:S99991920 | \$ 143,336,719 | N/A | Not Applicable | AAAm |
| San Bernardino County Investment Pool | 118,852,720 | 381 | Not Applicable | AA+ |
| | \$ 262,189,439 | | | |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 3 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 agencies. 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, 2013, the District's bank balance of \$10,069,272 was not exposed to custodial credit risk because the first \$250,000 deposited per bank was covered under the FDIC insurance limit, and the remaining was collateralized with securities held by the pledging financial institution's trust department or agency.

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable balance as of June 30, 2013 is as follows:

| | | |
|----------------------|----|-------------------|
| Grants and Contracts | | |
| Federal | \$ | 1,010,041 |
| State | | 17,452,245 |
| Local | | 2,986,290 |
| Total | \$ | <u>21,448,576</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013 was as follows:

| | Balance July 01, 2012 | Additions | Deductions | GASB 62 Adjustment | Balance June 30, 2013 |
|---|--------------------------|----------------------|----------------------|-----------------------|--------------------------|
| Capital Assets not being Depreciated | | | | | |
| Land | \$ 4,409,033 | \$ 109,421 | \$ - | \$ - | \$ 4,518,454 |
| Construction in progress | 37,298,940 | 25,090,660 | 20,963,836 | 10,277,560 | 51,703,324 |
| Total Capital Assets not Being Depreciated | 41,707,973 | 25,200,081 | 20,963,836 | 10,277,560 | 56,221,778 |
| Capital Assets being Depreciated | | | | | |
| Land improvements | 47,981,045 | 20,963,836 | - | 2,089,301 | 71,034,182 |
| Buildings & improvements | 309,190,188 | 807,146 | - | 11,589,107 | 321,586,441 |
| Furniture & equipment | 21,965,432 | 1,947,094 | 81,598 | - | 23,830,928 |
| Total Capital Assets Being Depreciated | 379,136,665 | 23,718,076 | 81,598 | 13,678,408 | 416,451,551 |
| Total Capital Assets | 420,844,638 | 48,918,157 | 21,045,434 | 23,955,968 | 472,673,329 |
| Less Accumulated Depreciation | | | | | |
| Land improvements | 15,130,032 | 5,428,940 | - | 41,786 | 20,600,758 |
| Buildings & improvements | 37,993,541 | 6,485,797 | - | 231,783 | 44,711,121 |
| Furniture & equipment | 15,169,248 | 2,331,814 | 81,598 | - | 17,419,464 |
| Total Accumulated Depreciation | 68,292,821 | 14,246,551 | 81,598 | 273,569 | 82,731,343 |
| Net Capital Assets | \$ 352,551,817 | \$ 34,671,606 | \$ 20,963,836 | \$ 23,682,399 | \$ 389,941,986 |

Depreciation expense for the year was \$14,246,551.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 6 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term liabilities for the year ended June 30, 2013 is shown below:

| | Balance July 01, 2012 | Additions | Accretion Accretion | Deductions | Balance June 30, 2013 | Due Within One Year |
|-------------------------------|--------------------------|-------------|------------------------|---------------------|--------------------------|------------------------|
| Long-Term Obligations | | | | | | |
| General obligation bonds | \$ 446,232,711 | \$ - | \$ 7,512,280 | \$ 4,055,926 | \$ 449,689,065 | \$ 4,757,736 |
| Premium on bonds | 16,447,712 | - | - | 945,834 | 15,501,878 | - |
| Compensated absences | 2,171,237 | - | - | 96,895 | 2,074,342 | - |
| SERP liability | 3,497,496 | - | - | 1,554,446 | 1,943,050 | 903,907 |
| Other postemployment benefits | 942,450 | - | - | 441,819 | 500,631 | - |
| Totals | \$ 469,291,606 | \$ - | \$ 7,512,280 | \$ 7,094,920 | \$ 469,708,966 | \$ 5,661,643 |

Bonds Payable

On November 5, 2002, voters within the boundaries of the District authorized the issuance and sale of general obligation bonds totaling \$190,000,000 (Measure P). In May 2003, \$50,000,000 of general obligation bonds were sold (Series A), and in February 2004, an additional \$20,000,000 of general obligation bonds were sold (Series B). In September 2006, \$100,000,000 of general obligation bonds were sold (Series C). On June 18, 2009 \$4,999,797 (Series D) and \$15,000,000 (Series E) general obligation bonds were sold. Proceeds from the sale of the bonds have been or will be used to finance the acquisition, construction, reconstruction, and modernization of certain property and District facilities.

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

On February 5, 2008, voters within the boundaries of the District authorized the issuance and sale of general obligation bonds totaling \$500,000,000 (Measure M). On December 30, 2008, \$140,000,000 of general obligation bonds was sold (Series A). On June 18, 2009, \$73,102,389 (Series B) and \$45,210,000 (Series C) general obligation bonds were sold.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Bonds Payable (continued)

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

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds | | | Bonds Outstanding, June 30, 2013 |
|------------|---------------|---------------|----------------|---------------------------|----------------------------|--------------|----------------------------------|
| | | | | Outstanding, July 1, 2012 | Accreted Interest Addition | Redeemed | |
| 5/1/2003 | 8/1/2014 | 2.0-5.0% | \$ 50,000,000 | \$ 2,075,000 | \$ - | \$ 980,000 | \$ 1,095,000 |
| 2/12/2004 | 8/1/2015 | 2.25-5.25% | 20,000,000 | 1,015,000 | - | 290,000 | 725,000 |
| 3/22/2005 | 8/1/2023 | 12.0%* | 56,562,550 | 48,989,663 | 583,350 | 2,285,000 | 47,288,013 |
| 8/22/2006 | 8/1/2031 | 4.25-5.0% | 100,000,000 | 100,000,000 | - | - | 100,000,000 |
| 12/17/2008 | 8/1/2033 | 3.75-6.5% | 140,000,000 | 140,000,000 | - | - | 140,000,000 |
| 6/9/2009 | 8/1/2033 | 6.02-10.0% | 4,999,797 | 6,060,665 | 464,284 | - | 6,524,949 |
| 6/9/2009 | 8/1/2033 | 7.63% | 15,000,000 | 15,000,000 | - | - | 15,000,000 |
| 6/9/2009 | 8/1/2048 | 6.78-11.5% | 73,102,389 | 87,882,383 | 6,464,646 | 500,926 | 93,846,103 |
| 6/9/2009 | 8/1/2044 | 6.375-7.63% | 45,210,000 | 45,210,000 | - | - | 45,210,000 |
| Totals | | | | \$ 446,232,711 | \$ 7,512,280 | \$ 4,055,926 | \$ 449,689,065 |

*Effective interest rate - 5.07-5.14%

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2013, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|----------------|----------------|------------------|
| 2014 | \$ 4,757,736 | \$ 20,601,543 | \$ 25,359,279 |
| 2015 | 5,011,848 | 20,533,406 | 25,545,254 |
| 2016 | 5,598,097 | 20,445,041 | 26,043,138 |
| 2017 | 6,429,285 | 20,319,729 | 26,749,014 |
| 2018 | 7,316,190 | 20,169,173 | 27,485,363 |
| 2019-2023 | 43,547,676 | 107,466,412 | 151,014,088 |
| 2024-2028 | 81,241,015 | 96,693,996 | 177,935,011 |
| 2029-2033 | 139,199,039 | 69,642,301 | 208,841,340 |
| 2034-2038 | 35,351,488 | 46,541,414 | 81,892,902 |
| 2039-2043 | 50,848,174 | 126,061,181 | 176,909,355 |
| 2044-2048 | 31,653,455 | 181,768,843 | 213,422,298 |
| 2049 | 12,585,722 | 186,934,278 | 199,520,000 |
| Subtotal | 423,539,725 | 917,177,317 | 1,340,717,042 |
| Accreted Interest | 26,149,340 | (26,149,340) | - |
| Totals | \$ 449,689,065 | \$ 891,027,977 | \$ 1,340,717,042 |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 6 – LONG-TERM OBLIGATIONS (continued)

Supplemental Early Retirement Plan

During the year ended June 30, 2009, San Bernardino Community College District offered two Supplemental Early Retirement Plans. The Plans allowed qualified individuals to retire at age 55. The Plans offered monetary incentives and health insurance benefits. The monetary incentives will be funded through five equal yearly installments of \$606,232. The medical benefits are based on actual costs with a maximum of \$7,500 per year until the qualified individual reaches age 65.

During the year ended June 30, 2010, San Bernardino Community College District offered one Supplemental Early Retirement Plan. The Plan allowed qualified individuals to retire at age 55. The Plan offered monetary incentives and health insurance benefits. The monetary incentives will be funded through five equal yearly installments of \$758,399. The medical benefits are based on actual costs with maximum of \$7,500 per year until the qualified individual reaches age 65.

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

| Years Ending | Payment |
|--------------|---------------------|
| June 30, | |
| 2014 | 903,907 |
| 2015 | 828,456 |
| 2016 | 81,688 |
| 2017 | 69,019 |
| 2018 | 42,843 |
| 2019 | 17,137 |
| Total | <u>\$ 1,943,050</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 7 – POST-EMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan, which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. The District reports the financial activity of the Plan as a trust fund, and no separate financial report is prepared. Faculty, classified, and management employees qualify at age 60 with 10 years of service. Classified employees qualify at age 55 with 20 years of service. Board members qualify for 5 years of benefits, but not before age 65, with 12 years of service. Membership of the Plan consisted of the following at February 1, 2013, the date of the latest actuarial valuation:

Plan Description and Contribution Information

| | <u>Amount</u> |
|-----------------------------|---------------|
| Retirees receiving benefits | 51 |
| Active plan members | <u>609</u> |
| Total | <u>660</u> |

Funding Policy

The District’s annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation:

| | |
|------------------------------------|-------------------|
| Annual required contribution | \$ 666,319 |
| Interest on net OPEB contribution | 56,547 |
| Adjustment to annual ARC | <u>(47,542)</u> |
| Annual OPEB cost (expense) | 675,324 |
| Contributions made - pay as you go | (367,143) |
| Contributions made - trust | <u>(750,000)</u> |
| Decrease in net OPEB obligation | (441,819) |
| Net OPEB obligation, Beg. of Year | 942,450 |
| Net OPEB obligation, End of Year | <u>\$ 500,631</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 7 – POST-EMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost, the percentage of annual OPEB cost contribution to the Plan, and the net OPEB obligation for the year ended June 30, 2013 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|---------------------|
| 6/30/2009 | \$ 687,455 | 36.4% | \$ 437,208 |
| 6/30/2010 | 1,009,221 | 60.2% | 838,855 |
| 6/30/2011 | 1,019,393 | 74.7% | 1,096,472 |
| 6/30/2012 | 694,087 | 122.2% | 942,450 |
| 6/30/2013 | 675,324 | 165.4% | 500,631 |

Funded Status and Funding Progress

As of February 1, 2012, the most recent actuarial valuation date, the District had established a trust for post-employment benefits. The actuarial accrued liability for benefits was \$6,253,735. The covered payroll (annual payroll of active employees covered by the Plan) was \$42,096,559, and the ratio of the UAAL to the covered payroll was 10.5 percent. A pay-as-you-go contribution of \$367,143 was made during the year ended June 30, 2013. Additionally, a contribution of \$750,000 was made to the OPEB trust. See pages 16 and 17 for a summary of OPEB trust activity.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The February 1, 2012 actuarial valuation used the entry age normal actuarial cost method. The actuarial assumptions included a 6% investment rate of return, a projected 3% increase in salaries, and a 4% annual healthcare cost trend rate. An annual inflation rate of 3% per year was used. The UAAL is being amortized as a level percentage of projected payroll over a period of 30 years.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined-benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Benefit provision are established by statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Regional Office, 400 “Q” Street, Room 1820, Lincoln Plaza East; Sacramento, California 95811.

Funding Policy

Active Plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the Plan members are established by state statute. The District’s contributions to CalPERS for the years ended June 30, 2013, 2012, and 2011, were \$2,371,541, \$2,361,240, and \$2,174,117, respectively, and equal 100% of the required contributions for each year.

State Teachers Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers’ Retirement System (CalSTRS), a cost sharing multiple-employer defined benefit pension plan administered by CalSTRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom, Blvd.; Sacramento, California 95826.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (continued)

State Teachers Retirement System (CalSTRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their annual salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teacher's Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the Plan members are established by state statute. The District's contribution to CalSTRS for the years ended June 30, 2013, 2012, and 2011, were \$2,249,723, \$2,289,824, and \$2,410,252, respectively, and equal 100% of the required contributions for each year.

Accumulation Program for Part-Time and Limited (APPLE)

Plan Description

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

The District's payroll for employees covered by APPLE for the years ended June 30, 2013, 2012, and 2011, was \$3,807,360, \$3,821,190, and \$3,331,759, respectively.

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

Contribution Requirements and Contributions Made

The District is required under the Adoption Agreement to contribute 1.3% of each participant's gross wages. Participants are required to contribute 6.2% of their gross wages.

Total contributions for the years ended June 30, 2013, 2012, and 2011, were \$285,552, \$286,589, and \$247,961, respectively. The District contributed \$49,496 and employees contributed \$236,056 for the year ended June 30, 2013.

NOTE 9 – KVCR

The District operates a radio and television station and receives annual grants from the Corporation for Public Broadcasting (CPB). The CPB funded programs are audited under CPB guidelines, the report of which is presented separately in full.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 10 – COMMITMENTS AND CONTIGENCIES

The District is exposed to various risks of loss related to: torts; theft of; damage to; and destruction of assets; injuries to students, campus visitors, or employees; errors and omissions; natural disasters; medical and dental claims of District employees; and employment-related liabilities. The District has Internal Service Funds to account for and finance its uninsured risks of loss.

Liability for Open Claims – Workers’ Compensation

The District maintains a self-insurance plan for workers’ compensation benefits as authorized by Section 81602 of the California Education Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. The contract is renewable every three years and administrative fees are included within the provision of that agreement. Coverage for workers’ compensation claims is provided by a tiered system. The Worker’s Compensation Fund provides coverage for up to a maximum of \$500,000 per occurrence. In addition, the District participates in a Joint Powers Arrangement with the Schools Alliance for Workers’ Compensation Excess II (SAWCX II) that provides coverage for claims exceeding \$500,000 with a limit of \$25,000,000 per occurrence.

The recorded liability for the workers’ compensation benefits as of June 30, 2012, \$3,374,000, includes an estimate of incurred but no reported claims. This liability is reported in accrued liabilities as June 30, 2012, based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as the date of the financial statements and the amount of the loss can be reasonably estimated.

The District also maintains a property and liability self-insurance plan. The Plan is authorized by Section 81602 of the California Education Code. Coverage for liability and property claims is provided by a tiered system. The Self-Insurance – Liability and Property Fund provides coverage for up to a maximum of \$50,000 per occurrence for liability claims and \$5,000 per occurrence for property claims. The District purchases additional insurance from Joint Powers Arrangements for claims in excess of coverage provided by the fund. The Statewide Association for Excess Risk (SAFER) provided coverage for claims exceeding the District’s retention with a limit of \$25,000,000 per occurrence for liability and \$250,000,000 per occurrence for property. Settled claims have not exceeded this insurance in any of the past three fiscal years.

Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liability does not necessarily result in an exact amount. Claim liabilities are reevaluated periodically to take into considered recently settled claims, the frequency of claims, the frequency of claims, and other economic and social factors.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 10 – COMMITMENTS AND CONTIGENCIES (continued)

State and Federal Allowances, Awards, and Grants

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

Lawsuits in the Normal Course of Business

The District is presently involved in certain matters of litigation that have arisen in the normal course of conducting business. District management believes, based on consultation with the Districts attorneys, that these cases, in the aggregate, are not expected to result in material adverse financial impact on the District. Additionally, District management believes that the District’s insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

Construction Commitments

The District had several outstanding or planned construction projects as of June 30, 2013. These projects are evidenced by contractual commitments with contractors; outstanding commitments as of June 30, 2013 were as follows:

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 11 – JOINT POWERS ARRANGEMENTS

The District is a member of several joint powers authorities. The relationship between the District and the joint powers authorities is such that they are not considered component units of the District for financial reporting purposes. The following is 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 competitive rates. SAFER's membership consists of one individual member district and three joint powers authority members, which represent 547 school and college districts. A board comprised of two representatives from each member with an average daily attendance (ADA) of over 100,000 or one representative for ADAs with less than 100,000 governs SAFER. Each member is allowed votes based on weighted system based Average Daily Attendance.

Statewide Association of Community Colleges (SWACC)

SWACC arranges for and provides the broadest possible property and liability protection available to school districts. SWACC's membership consists of 44 Community College Districts and two joint powers authority members, which represent 20 districts. A board comprised of one representative from each member governs SWACC. Each member is allowed votes based on a weighted system based on Average Daily Attendance. The board controls the operations of SWACC and elects officers from its members.

Schools Alliance for Worker's 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 joint powers authorities 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 COMMUNITY COLLEGE DISTRICT
Notes to Financial Statements, continued
June 30, 2013

NOTE 11 – JOINT POWERS ARRANGEMENTS (continued)

San Bernardino Regional Emergency Training Center (SBRETC)

SBRETC was formed to establish a live-fire aircraft, rescue, and fire-fighting training facility in Southern California. Membership consists of San Bernardino County Consolidated Fire District, City of San Bernardino, and San Bernardino Community College District. The governing board is comprised of representatives from each member agency.

NOTE 12 – ADJUSTMENT FOR RESTATEMENT

The following adjustments were made to restate the beginning net position:

\$23,682,399 increase to beginning net position to account for the capitalized interest resulting from the District implementation of GASB Statement No. 62. This new accounting standard required capitalization of interest expense on bonded debt that had previously been expensed. See note 5 for increase to capital assets.

\$2,761,771 decrease to beginning net position for restatement of KVCR FM/TV financials.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2013

| Actuarial Valuation Date | Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|-----------------|---|------------------------|-----------------|-----------------|--|
| 8/1/2006 | \$ - | \$ 5,110,498 | \$ 5,110,498 | 0% | \$ 33,678,675 | 15% |
| 8/1/2009 | 1,168,751 | 8,338,911 | 7,170,160 | 14% | 42,707,577 | 16.8% |
| 2/1/2012 | 2,027,100 | 6,253,735 | 4,421,979 | 29% | 43,070,755 | 10.3% |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Child Development Center
Combining Statement of Activities
For the Fiscal Year Ended June 30, 2013

| | <u>CSPP 0443</u> | <u>CCTR 0244</u> | <u>Total CDE Contracts</u> |
|---------------------------------------|--------------------|--------------------|--------------------------------|
| REVENUE AND SUPPORT | | | |
| Government Contracts: | | | |
| Child care programs | \$ 1,399,781 | \$ 275,795 | \$ 1,675,576 |
| Family fees - certified children | 101,059 | 56,425 | 157,484 |
| Total revenue and support | <u>1,500,840</u> | <u>332,220</u> | <u>1,833,060</u> |
| EXPENSES | | | |
| Salaries | 858,768 | 238,199 | 1,096,967 |
| Employee Benefits | 477,598 | 107,318 | 584,916 |
| Books and supplies | 55,968 | 28,536 | 84,504 |
| Other operating expenses | 7,455 | 3,808 | 11,263 |
| Building repairs and maintenance | 45,353 | 24,199 | 69,552 |
| General, administrative, and indirect | 91,245 | 29,426 | 120,671 |
| Total expenses | <u>1,536,387</u> | <u>431,486</u> | <u>1,967,873</u> |
| CHANGES IN NET POSITION | <u>\$ (35,547)</u> | <u>\$ (99,266)</u> | <u>\$ (134,813)</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Child Development Center
Schedule of Expenditures by State Category
For the Fiscal Year Ended June 30, 2013

| Expenditures | | CSPP 0443 | CCTR 0244 | Total CD Contracts |
|------------------------------|---------------------------------------|---------------------|-------------------|-----------------------|
| Direct payments to providers | | | | |
| 2000 | Classified salaries | \$ 858,768 | \$ 238,199 | \$ 1,096,967 |
| 3000 | Employee benefits | 477,598 | 107,318 | 584,916 |
| 4000 | Books and supplies | 55,968 | 28,536 | 84,504 |
| 5000 | Services and other operating expenses | 7,455 | 3,808 | 11,263 |
| Indirect costs | | 91,245 | 29,426 | 120,671 |
| Total expenditures | | \$ 1,491,034 | \$ 407,287 | \$ 1,898,321 |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2013

PURPOSE OF SCHEDULES

A. Schedule of Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for post-employment benefits other than pensions.

B. Combining Statement of Activities

This schedule is prepared in accordance with California Department of Education Audit Guide. The schedule is intended to present revenue and expenses reported according to GAAP by Child Development Contract both individually and in the aggregate.

C. Schedule of Expenditures by State Category

This schedule is prepared in accordance with the California Department of Education Audit Guide. The schedule is intended to present expenditures for each Child Development program by category.

**SUPPLEMENTARY
INFORMATION SECTION**

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Local Educational Agency Organizational Structure
June 30, 2013

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

As of June 30, 2013, the school districts within the boundaries of the San Bernardino Community College District were as follows:

- Bear Valley Unified School District
- Colton Joint Unified School District
- Fontana Unified School District
- Redlands Unified School District
- Rialto Unified School District
- Rim of the World Unified School District
- San Bernardino City Unified School District
- Yucaipa-Calimesa Joint Unified School District

The San Bernardino Community College District is located in San Bernardino County, with the exception that portions of Colton Joint Unified School District and Yucaipa-Calimesa Joint Unified School District are located in Riverside County. No schools districts were added to the boundaries of the San Bernardino Community College District during the fiscal year ended June 30, 2013.

GOVERNING BOARD

| | |
|------------------------|-----------------------|
| Dr. Donald L. Singer | President |
| John Longville | Vice President |
| Donna Ferracone | Clerk |
| Gloria Macias Harrison | Member |
| Dr. Kathleen Henry | Member |
| Joseph Williams | Member |
| Nickolas W. Zoumbos. | Member |
| Kyle Hundley | Student Trustee, CHC |
| Ferny Arana Garcia | Student Trustee, SBVC |

DISTRICT ADMINISTRATORS

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

| FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE | CFDA NUMBER | FEDERAL EXPENDITURES |
|--|----------------|-------------------------|
| U.S. DEPARTMENT OF EDUCATION | | |
| STUDENT FINANCIAL AID CLUSTER | | |
| FEDERAL WORK-STUDY PROGRAM | 84.033 | \$ 367,703 |
| FEDERAL SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT | 84.007 | 613,846 |
| FEDERAL PELL GRANT PROGRAM | 84.063 | <u>23,890,036</u> |
| TOTAL STUDENT FINANCIAL AID | | <u>24,871,585</u> |
| TITLE V - HSI STRENGTHENING INSTITUTIONS | 84.031S | 610,289 |
| TITLE V - HSI STEM | 84.031C | 1,540,861 |
| TITLE IV - STUDENT SUPPORT SERVICES | 84.042A | <u>220,827</u> |
| TOTAL DIRECT PROGRAMS | | <u>27,243,562</u> |
| PASS THROUGH CALIFORNIA DEPARTMENT OF EDUCATION | | |
| VOCATIONAL AND APPLIED TECHNOLOGY EDUCATION ACT | | |
| TITLE IIC | 84.048 | 300,233 |
| MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAM | 84.120A | 91,195 |
| TOTAL PASS-THROUGH PROGRAMS | | <u>391,428</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | <u>27,634,990</u> |
| U.S. DEPARTMENT OF LABOR | | |
| HIGH GROWTH JOB TRAINING | 17.261 | 110,841 |
| SO CAL LOGISTICS TECH COLLABORTIVE | 17.275 | <u>1,101,585</u> |
| TOTAL U.S. DEPARTMENT OF LABOR | | <u>1,212,426</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | |
| Child Care Food Program | 10.558 | <u>162,059</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | <u>162,059</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | |
| PASSED THROUGH COUNTY OF SAN BERNARDINO, CALIFORNIA | | |
| TEMPORARY ASSISTANCE FOR NEEDY FAMILIES | 93.558 | 77,145 |
| PASSED THROUGH YOSEMITE COMMUNITY COLLEGE DISTRICT | | |
| CHILD DEVELOPMENT CONSORTIUM | 93.575 | <u>1,743</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>78,888</u> |
| NATIONAL SCIENCE FOUNDATION | | |
| BRIDGING THE WATER DIVIDE | 47.076 | <u>3,271</u> |
| TOTAL NATIONAL SCIENCE FOUNDATION | | <u>3,271</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>29,091,634</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of State Financial Assistance – Grants and Programs
For the Fiscal Year Ended June 30, 2013

| PROGRAM NAME | PROGRAM ENTITLEMENTS | | |
|--------------------------------|----------------------|---------------------|----------------------|
| | CURRENT YEAR | PRIOR YEAR | TOTAL |
| GENERAL FUND | | | |
| Grants: | | | |
| SFAA-BFAP ADM ALLOWANCE | \$ 278,786 | \$ 485,400 | \$ 764,186 |
| EOPS-CARE PROGRAM | 72,986 | - | 72,986 |
| EOPS | 802,224 | - | 802,224 |
| HANDICAPPED STUDENT PROGRAMS | 809,185 | - | 809,185 |
| CHILD DEVELOPMENT | 550,446 | - | 550,446 |
| STATE PRESCHOOL GRANT | 1,896,620 | - | 1,896,620 |
| FOSTER PARENTS | 179,098 | - | 179,098 |
| YOUTH EMPOWERMENT STR (FRM ILP | 12,784 | - | 12,784 |
| WORKABILITY III GRANT | 136,762 | - | 136,762 |
| TRANSFER CENTER | - | 2,177 | 2,177 |
| TELECOMMUNICATIONS TECHNOLOGY | - | 3,508 | 3,508 |
| BASIC SKILLS | 196,788 | 271,191 | 467,979 |
| INSTRUCTIONAL EQUIPMENT ALLOC. | - | 267,631 | 267,631 |
| BLOCK GRANT FY-98 | - | 93,272 | 93,272 |
| MATRICULATION FUNDS | 496,580 | - | 496,580 |
| LOTTERY - RESTRICTED PORTION | 327,143 | 152,968 | 480,111 |
| 3C MEDIA SOLUTIONS | 587,408 | 50,096 | 637,504 |
| ALTERNATE TEXT PRODUCTION CNTR | 1,300,000 | 19,850 | 1,319,850 |
| CalWORKS | 438,390 | - | 438,390 |
| EQUAL EMPLOYMENT OPPORTUNITY | 7,311 | 52,852 | 60,163 |
| ATTC/IDRC | 348,000 | - | 348,000 |
| EMPLOYMENT TRAINING PANEL | 699,896 | 297,865 | 997,761 |
| CSUSB Bridges Stem Cell Resear | 9,979 | 11,850 | 21,829 |
| MIDDLE COLLEGE HIGH SCHOOL | 84,153 | - | 84,153 |
| STUDENT MENTAL HEALTH PROGRAM | 122,292 | - | 122,292 |
| JOB DEV INCENTIVE FUNDING | 217,994 | - | 217,994 |
| CENTER FOR BUSINESS EXCELLENCE | - | 31,498 | 31,498 |
| ECON DEV/WKFORCE DEV-PDC | - | 25,000 | 25,000 |
| COMM TECH EDUC -COLLABORATIVE | 348,000 | 385,232 | 733,232 |
| RTF-LEAN PROCESSING TRAINING | 293,136 | - | 293,136 |
| CA CLEAN ENERGY WKF TRNG PROG | - | 314,865 | 314,865 |
| EWD-CURRICULUM PLAN-EMG INDUST | - | 11,296 | 11,296 |
| STAFF DEVELOPMENT | - | 5,255 | 5,255 |
| TANF WORK STUDY | - | - | - |
| WIA-STATE MATCH II | - | 273 | 273 |
| CTE TRANSITIONS GRANT | 98,778 | - | 98,778 |
| Total State Programs | \$ 10,314,740 | \$ 2,482,079 | \$ 12,796,819 |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of State Financial Assistance – Grants and Programs, continued
For the Fiscal Year Ended June 30, 2013

| PROGRAM RECEIPTS AND ACCRUALS | | | | PROGRAM REVENUES | | | PROGRAM EXPENDITURES |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|----------------------|
| CASH RECEIVED | ACCOUNTS RECEIVABLE | DEFERRED/PAYABLE | TOTAL | DIRECT | INDIRECT | TOTAL | |
| \$ 764,186 | \$ - | \$ - | \$ 764,186 | \$ 764,186 | \$ - | \$ 764,186 | \$ 764,186 |
| 26,784 | - | 45,789 | (19,004) | 72,573 | - | 72,573 | 72,573 |
| 778,390 | - | 8,142 | 770,249 | 786,532 | - | 786,532 | 786,532 |
| 805,000 | - | 4,217 | 800,782 | 809,217 | - | 809,217 | 809,217 |
| 332,220 | 75,068 | - | 407,287 | 377,861 | 29,426 | 407,287 | 407,287 |
| 1,481,228 | - | 9,806 | 1,471,423 | 1,399,789 | 91,245 | 1,491,034 | 1,491,034 |
| 178,936 | - | - | 178,936 | 174,875 | 4,062 | 178,936 | 178,936 |
| 2,636 | - | 9,716 | (7,081) | 12,352 | - | 12,352 | 12,352 |
| 113,702 | - | 2,655 | 111,047 | 107,576 | 8,781 | 116,357 | 116,357 |
| 1,854 | - | - | 1,854 | 1,854 | - | 1,854 | 1,854 |
| - | - | - | - | - | - | - | - |
| 156,510 | - | - | 156,510 | 156,510 | - | 156,510 | 156,510 |
| 3,118 | - | - | 3,118 | 3,118 | - | 3,118 | 3,118 |
| 17,736 | - | 28,921 | (11,185) | 46,657 | - | 46,657 | 46,657 |
| 480,530 | - | 2,332 | 478,199 | 482,862 | - | 482,862 | 482,862 |
| 306,856 | - | 59,917 | 246,939 | 366,773 | - | 366,773 | 366,773 |
| 557,011 | - | 14,663 | 542,348 | 571,674 | - | 571,674 | 571,674 |
| 1,215,796 | - | 47,715 | 1,168,081 | 1,166,384 | 97,128 | 1,263,511 | 1,263,511 |
| 392,570 | - | 36,746 | 355,824 | 429,316 | - | 429,316 | 429,316 |
| 25,299 | - | - | 25,299 | 25,299 | - | 25,299 | 25,299 |
| 103,550 | - | - | 103,550 | 103,550 | - | 103,550 | 103,550 |
| 182,030 | - | 105,617 | 76,413 | 287,647 | - | 287,647 | 287,647 |
| 4,740 | - | 9,988 | (5,248) | 14,728 | - | 14,728 | 14,728 |
| 80,843 | - | - | 80,843 | 77,734 | 3,109 | 80,843 | 80,843 |
| 95,035 | - | - | 95,035 | 91,997 | 3,038 | 95,035 | 95,035 |
| 8,660 | - | - | 8,660 | 8,500 | 160 | 8,660 | 8,660 |
| 31,498 | - | - | 31,498 | 29,567 | 1,931 | 31,498 | 31,498 |
| 25,000 | - | - | 25,000 | 24,038 | 962 | 25,000 | 25,000 |
| 269,292 | - | - | 269,292 | 269,292 | - | 269,292 | 269,292 |
| 103,771 | - | 3,871 | 99,900 | 104,431 | 3,212 | 107,642 | 107,642 |
| 309,689 | - | 11,317 | 298,372 | 293,580 | 27,426 | 321,006 | 321,006 |
| 11,296 | - | - | 11,296 | 10,862 | 434 | 11,296 | 11,296 |
| 937 | - | - | 937 | 937 | - | 937 | 937 |
| 314 | - | - | 314 | 314 | - | 314 | 314 |
| 210 | - | - | 210 | 210 | - | 210 | 210 |
| 67,757 | - | - | 67,757 | 65,427 | 2,331 | 67,757 | 67,757 |
| \$ 8,934,985 | \$ 75,068 | \$ 401,412 | \$ 8,608,641 | \$ 9,138,221 | \$ 273,243 | \$ 9,411,465 | \$ 9,411,465 |

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of Workload Measures for State General Apportionment – Annual/Actual
Attendance
For the Fiscal Year Ended June 30, 2013

| | Reported Data | Audit Adjustments | Audited Data |
|---|------------------|----------------------|-----------------|
| Credit full-time equivalent student (FTES) | | | |
| Weekly census | 9,453 | - | 9,453 |
| Daily census | 1,137 | - | 1,137 |
| Actual hours of attendance | 719 | - | 719 |
| Alternative Attendance Census | 1,231 | - | 1,231 |
| Summer intersession | 678 | - | 678 |
| Total FTES | 13,218 | - | 13,218 |
| Basic skills | | | |
| Credit | | | 856 |

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Fund Financial
Statements
For the Fiscal Year Ended June 30, 2013

The audit resulted in adjustments to the fund balances reported on the June 30, 2013 Annual Financial and Budget Report (CCFS-311) based on governmental accounting principles. The adjustments were to recognize the governmental funds portion of the restatement to KVCR-FM and KVCR-TV a component unit of the District.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Reconciliation of the ECS 84362 (50 Percent Law) Calculation
For the Fiscal Year Ended June 30, 2013

| | Object/ TOP Codes | Activity (ESCA) ECS 84362 A | | | Activity (ESCB) ECS 84362 B Total CEE | | |
|--|-------------------------|-----------------------------|----------------------|---------------|---------------------------------------|----------------------|---------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional Salaries | | | | | | | |
| Contract or Regular | 1100 | 14,380,982 | - | 14,380,982 | 14,380,982 | - | 14,380,982 |
| Other | 1300 | 7,506,222 | - | 7,506,222 | 7,506,222 | - | 7,506,222 |
| Total Instructional Salaries | | 21,887,204 | - | 21,887,204 | 21,887,204 | - | 21,887,204 |
| Non-Instructional Salaries | | | | | | | |
| Contract or Regular | 1200 | - | - | - | 5,661,315 | - | 5,661,315 |
| Other | 1400 | - | - | - | 458,372 | - | 458,372 |
| Total Non-Instructional Salaries | | - | - | - | 6,119,687 | - | 6,119,687 |
| Total Academic Salaries | | 21,887,204 | - | 21,887,204 | 28,006,891 | - | 28,006,891 |
| <u>Classified Salaries</u> | | | | | | | |
| Non-Instructional Salaries | | | | | | | |
| Regular Status | 2100 | - | - | - | 11,321,727 | - | 11,321,727 |
| Other | 2300 | - | - | - | 822,167 | - | 822,167 |
| Total Non-Instructional Salaries | | - | - | - | 12,143,894 | - | 12,143,894 |
| Instructional Aides | | | | | | | |
| Regular Status | 2200 | 1,173,407 | - | 1,173,407 | 1,173,407 | - | 1,173,407 |
| Other | 2400 | 545,132 | - | 545,132 | 545,132 | - | 545,132 |
| Total Instructional Aides | | 1,718,539 | - | 1,718,539 | 1,718,539 | - | 1,718,539 |
| Total Classified Salaries | | 1,718,539 | - | 1,718,539 | 13,862,433 | - | 13,862,433 |
| Employee Benefits | 3000 | 5,921,918 | - | 5,921,918 | 12,503,253 | - | 12,503,253 |
| Supplies and Materials | 4000 | - | - | - | 790,314 | - | 790,314 |
| Other Operating Expenses | 5000 | 628,780 | - | 628,780 | 6,470,078 | - | 6,470,078 |
| Equipment Replacement | 6420 | - | - | - | - | - | - |
| Total Expenditures Prior to Exclusions | | 30,156,441 | - | 30,156,441 | 61,632,969 | - | 61,632,969 |
| <u>Exclusions</u> | | | | | | | |
| Activities to Exclude | | | | | | | |
| Instructional Staff-Retirees' Benefits and Retirement Incentives | 5900 | - | - | - | - | - | - |
| Student Health Services Above Amount Collected | 6441 | - | - | - | 105,919 | - | 105,919 |
| Student Transportation | 6491 | - | - | - | - | - | - |
| Non-instructional Staff-Retirees' Benefits and Retirement Incentives | 6740 | - | - | - | - | - | - |
| Object to Exclude | | | | | | | |
| Rents and Leases | 5060 | - | - | - | 386,268 | - | 386,268 |
| Lottery Expenditures | | | | | | | |
| Academic Salaries | 1000 | - | - | - | - | - | - |
| Classified Salaries | 2000 | - | - | - | - | - | - |
| Employee Benefits | 3000 | - | - | - | - | - | - |
| Supplies and Materials | 4000 | - | - | - | - | - | - |
| Software | 4100 | - | - | - | - | - | - |
| Books, Magazines & Periodicals | 4200 | - | - | - | 82 | - | 82 |
| Instructional Supplies & Materials | 4300 | - | - | - | 42,363 | - | 42,363 |
| Non-instructional Supplies & Materials | 4400 | - | - | - | 275 | - | 275 |
| Total Supplies and Materials | | - | - | - | 42,720 | - | 42,720 |
| Other Operating Expenses and Services | 5000 | - | - | - | 1,514,577 | - | 1,514,577 |
| Capital Outlay | 6000 | - | - | - | - | - | - |
| Library Books | 6300 | - | - | - | 8,707 | - | 8,707 |
| Equipment | 6400 | - | - | - | - | - | - |
| Equipment - Additional | 6410 | - | - | - | 33,465 | - | 33,465 |
| Equipment - Replacement | 6420 | - | - | - | 11,443 | - | 11,443 |
| Total Equipment | 6420 | - | - | - | 44,908 | - | 44,908 |
| Total Capital Outlay | | - | - | - | 53,615 | - | 53,615 |
| Other Outgo | 7000 | - | - | - | - | - | - |
| Total Exclusions | | \$ - | \$ - | \$ - | \$ 2,103,099 | \$ - | \$ 2,103,099 |
| Total for ECS 84362, 50% Law | | \$ 30,156,441 | \$ - | \$ 30,156,441 | \$ 59,529,870 | \$ - | \$ 59,529,870 |
| Percent of CEE (Instructional Salary Cost/Total CEE) | | 50.66% | 0.00% | 50.66% | 100.00% | 0.00% | 100.00% |
| 50% of Current Expense of Education | | | | | \$ 29,764,935 | \$ - | \$ 29,764,935 |

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Details of Education Protection Account
For the Fiscal Year Ended June 30, 2013

| | |
|--------------------|------------|
| EPA Revenue | 10,887,535 |
|--------------------|------------|

| Activity Classification | Activity Code | Salaries and Benefits | Operating Expenses | Capital Outlay | Total |
|--------------------------------|----------------------|------------------------------|---------------------------|-----------------------|--------------|
| | | (Obj 1000-3000) | (Obj 4000-5000) | (Obj 6000) | |
| Instructional Activities | 0100-5900 | 10,887,535 | - | - | 10,887,535 |
| Total | | 10,887,535 | - | - | 10,887,535 |

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Note to the Supplementary Information
June 30, 2013

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Schedule of Expenditures of State Awards

The accompanying schedule of expenditures of state awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

Full-Time Equivalent Students (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 are made to community college districts. This schedule provides information regarding the attendance of students throughout the District.

Reconciliation of Annual Financial and Budget Report 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 fund financial statements.

Reconciliation of the ECS 84362 (50 Percent Law) Calculations

This schedule reports any audit adjustments made to the reported data to ensure that a minimum of 50 percent of the District's current expense of education is expended for salaries of classroom instructors.

Details of the Education Protection Account

This schedule reports the District revenue and expenditure classification of the Proposition 30 Education Protection Account funds.

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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*Licensed by the California
State Board of Accountancy*

Independent Auditors' Report

The 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 governmental activities, each major fund, and the aggregate remaining fund information of San Bernardino Community College District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the San Bernardino Community College District's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Bernardino Community College 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 San Bernardino Community College District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Bernardino Community College 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

San Diego, California
December 18, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

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Independent Auditors' Report

The 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 compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Bernardino Community College District's major federal programs for the year ended June 30, 2013. San Bernardino Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Bernardino Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Bernardino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

In our report dated December 18, 2013, we expressed a disclaimer of opinion on the types of compliance requirements referred to above that could have a direct and material effect on the So Cal Logistics Tech Collaborative Program for the year ended June 30, 2013 because we were unable to perform testing to obtain sufficient appropriate audit evidence about the compliance of San Bernardino Community College District with the said program. As of January 3, 2013, we were able to perform testing to obtain sufficient appropriate audit evidence about the compliance of the District with the program. Accordingly, our present opinion on the federal compliance, as presented herein, is different from that expressed in our previous report.

Opinion on Each Major Federal Program

In our opinion, San Bernardino Community College 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, 2013.

Report on Internal Control Over Compliance

Management of San Bernardino Community College 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 San Bernardino Community College District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Bernardino Community College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "Chutz White Associates". The signature is written in a cursive, flowing style.

San Diego, California
December 18, 2013

REPORT ON STATE COMPLIANCE

Christy White, CPA

John Dominguez, CPA, CFE

Tanya M. Rogers, CPA, CFE

Michael Ash, CPA

Heather Daud

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Independent Auditors' Report

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

Report on State Compliance

We have audited San Bernardino Community College District's compliance with the types of compliance requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on San Bernardino Community College District's compliance with the 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 *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*, 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about San Bernardino Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of San Bernardino Community College District's compliance with those requirements.

Opinion on State Compliance

In our opinion, San Bernardino Community College District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2013.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine San Bernardino Community College District's compliance with the state laws and regulations applicable to the following items:

- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 - Apportionment for Instructional Service Agreements/Contracts
- Section 424 - State General Apportionment Funding System
- Section 425 - Residency Determination for Credit Courses
- Section 426 - Students Actively Enrolled
- Section 427 - Concurrent Enrollment of K-12 Students in Community College Credit Courses
- Section 431 - Gann Limit Calculation
- Section 433 - CalWORKS
- Section 435 - Open Enrollment
- Section 437 - Student Fees – Instructional and Other Materials
- Section 438 - Student Fees – Health Fees and Use of Health Fee Funds
- Section 474 - Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 - Disabled Student Programs and Services (DSPS)
- Section 479 - To Be Arranged Hours (TBA)
- Section 490 - Proposition 1D State Bond Funded Projects
- Section 491- Proposition 30 Education Protection Account Funds

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in the *California Community Colleges Contracted District Audit Manual (CDAM) 2012-13*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 18, 2013

**SCHEDULE OF FINDINGS AND QUESTIONED
COSTS**

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Summary of Auditors' Results
For the Fiscal Year Ended June 30, 2013

FINANCIAL STATEMENTS

| | |
|--|-------------------|
| Type of auditors' report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>No</u> |
| Non-compliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|---|-------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>No</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | <u>No</u> |
| Identification of major programs: | |

| <u>CFDA Numbers</u> | <u>Name of Federal Program of Cluster</u> |
|-------------------------------|--|
| <u>84.007, 84.063, 84.033</u> | <u>Student Financial Aid Cluster</u> |
| <u>17.275</u> | <u>So Cal Logistics Tech Collaborative</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 872,749</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

STATE AWARDS

| | |
|--|-------------------|
| Internal control over State programs: | |
| Material weaknesses identified? | <u>No</u> |
| Significant deficiencies identified not considered to be material weaknesses? | <u>No</u> |
| Type of auditors' report issued on compliance for State programs: | <u>Unmodified</u> |

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings or questioned costs during 2012-13.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of Audit Findings and Questioned Costs, continued
For the Fiscal Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to Federal awards during 2012-13.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Schedule of Audit Findings and Questioned Costs, continued
For the Fiscal Year Ended June 30, 2013

Section III – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no audit findings and questioned costs related to State awards during 2012-13.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013

There were no audit findings or questioned costs during 2011-12.