This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 14, 2019

NEW ISSUE—FULL BOOK-ENTRY | **RATINGS: S&P: "AA"; Moody's: "Aa1"**
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, under existing statutes, rulings and judicial decisions, interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$200,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2018 General Obligation Bonds,
Series A (Federally Tax-Exempt)

$100,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2018 General Obligation Bonds,
Series A-1 (Federally Taxable)

$143,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

Dated: Dated Date | **Due: August 1, as shown on inside cover**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined shall have the meanings assigned thereto herein.

The San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series A (Federally Tax-Exempt) (the "Series A Bonds") and the San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series A-1 (Federally Taxable) (the "Series A-1 Bonds", and together with the Series A Bonds, the "New Money Bonds"), were authorized at an election of the registered voters of the San Bernardino Community College District (the "District") held on November 6, 2018, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of $470,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the New Money Bonds.

The San Bernardino Community College District (San Bernardino and Riverside Counties, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the "2019 Refunding Bonds," and together with the Series A-1 Bonds, the "Taxable Bonds", and together with the New Money Bonds, the "Bonds"), are being issued to (i) advance refund a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series D, (ii) advance refund a portion of the District's outstanding 2013 General Obligation Refunding Bonds, Series A, (iii) advance refund a portion of the District's outstanding 2015 General Obligation Refunding Bonds and (iv) pay the costs of issuing the 2019 Refunding Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of San Bernardino County and Riverside County are empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds"). Interest on the Bonds accrues from the date of initial delivery and issuance of the Bonds (the "Dated Date"), and is payable semiannually on August 1 and February 1 of each year, commencing February 1, 2020. The Bonds are issuable as fully registered Bonds in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the paying agent, bond registrar and transfer agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds are subject to optional redemption as provided herein. The Bonds are further subject to mandatory sinking fund redemption as provided herein.*

MATURITY SCHEDULE
(see inside front cover)

*The Bonds are being offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters are being passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about ____________, 2019.**

PiperJaffray.

Dated: _______________, 2019

* Preliminary, subject to change.

MATURITY SCHEDULE*

$200,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2018 General Obligation Bonds, Series A
(Federally Tax-Exempt)

Base CUSIP(1): 796720

$______________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(1) Suffix

$___________ – _____% Term Bonds due August 1, 20__ – Yield _____%; CUSIP(1): ___

* Preliminary, subject to change.
(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Series A Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series A Bonds.

MATURITY SCHEDULE*

$100,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2018 General Obligation Bonds, Series A-1
(Federally Taxable)

Base CUSIP[(1)]: 796720

$______________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix

$___________ – _____% Term Bonds due August 1, 20__ – Yield _____%; CUSIP[(1)]: ___

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* Preliminary, subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CGS, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Series A-1 Bonds. Neither the Underwriter, nor the District are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds and Refunded Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series A-1 Bonds.

MATURITY SCHEDULE[†]

$143,000,000[*]
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

Base CUSIP[(1)]: 796720

$______________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix

$___________ – _____% Term Bonds due August 1, 20__ – Yield _____%; CUSIP[(1)]: ___

† Preliminary, subject to change.
(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CGS, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. Neither the Underwriter, nor the District are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds and Refunded Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2019 Refunding Bonds and Refunded Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS (cont'd)

$200,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2018 General Obligation Bonds,
Series A (Federally Tax-Exempt)

$100,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
Election of 2018 General Obligation Bonds,
Series A-1 (Federally Taxable)

$143,000,000*
SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
(San Bernardino and Riverside Counties, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of (i) San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series A (Federally Tax-Exempt) (the "Series A Bonds") (ii) San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series A-1 (Federally Taxable) (the "Series A-1 Bonds", and together with the Series A Bonds, the "New Money Bonds") and (iii) San Bernardino Community College District (San Bernardino and Riverside Counties, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the "2019 Refunding Bonds," and, together with the Series A-1 Bonds, the "Taxable Bonds", and together with the New Money Bonds, the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The San Bernardino Community College District (the "District") was established in 1926 and serves most of the County of San Bernardino, California and a small portion of the County of Riverside, California. The District maintains two community colleges, Crafton Hills College and San Bernardino Valley College, located in Yucaipa and San Bernardino, California, respectively, which provide collegiate level instruction across a wide spectrum of subjects in grades 13 and 14. The District has approximately 27,000 full and part-time students and serves a resident population of approximately 1.75 million. The Colleges are each fully accredited by the Accrediting Commission of Community and Junior Colleges (the "ACCJC"). Taxable property within the District has a 2019-20 assessed valuation of $75,660,879,653.

The governing body of the District is the Board of Trustees (the "Board"), which includes seven voting members elected by the voters of the District within seven trustee areas. The Trustees serve four-year terms. Elections for trustee positions to the Board are held every two years, alternating between three and four positions. The management and policies of the District are administered by a Board-appointed Chancellor. Bruce Baron is the District's current Chancellor.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for information regarding the District's assessed valuation, and "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN

* Preliminary, subject to change.

CALIFORNIA" and "SAN BERNARDINO COMMUNITY COLLEGE DISTRICT" herein for information regarding the District generally. The District's audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B and should be read in their entirety. The discussion of the District's financial history and the financial information contained herein does not purport to be complete or definitive.

Purpose of the Bonds

New Money Bonds. The New Money Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) to pay the costs of issuing the New Money Bonds. See "THE BONDS – Application and Investment of Bond Proceeds," and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

2019 Refunding Bonds The 2019 Refunding Bonds are being issued to (i) advance refund a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series D (the "2008 Series D Bonds"), (ii) advance refund a portion of the District's outstanding 2013 General Obligation Refunding Bonds, Series A (the "2013 Refunding Bonds, Series A"), (iii) advance refund a portion of the District's outstanding 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds") and (iv) pay the costs of issuing the 2019 Refunding Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The 2008 Series D Bonds, 2013 Refunding Bonds, Series A and 2015 Refunding Bonds to be refunded with proceeds of the Bonds are referred to herein as the "Refunded 2008 Series D Bonds", "Refunded 2013 Refunding Bonds, Series A", and "Refunded 2015 Refunding Bonds", respectively, and collectively, as the "Refunded Bonds."

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to certain provisions of the Government Code and pursuant to resolutions adopted by the Board on November 14, 2019 for the New Money Bonds (the "New Money Resolution") and the 2019 Refunding Bonds (the "Refunding Resolution," and together with the New Money Resolution, the "Resolutions"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "THE BONDS – Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein and in APPENDIX A attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption.[*] The Bonds are subject to optional redemption prior to their stated maturity dates, as further described herein. Certain of the Bonds are further subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each August 1 and February 1, commencing February 1, 2020 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1 of each year, as shown on the inside cover pages hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent for the Bonds (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

Series A Bonds. In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series A Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS – Series A Bonds" herein.

Taxable Bonds. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Taxable Bonds is exempt from State personal income tax. See "TAX MATTERS – Taxable Bonds" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available in book-entry form for delivery through the facilities of DTC in New York, New York, on or about ________, 2019.[*]

[*] Preliminary, subject to change.

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events in compliance with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule"). These covenants have been made in order to assist the Underwriter (defined herein) in complying with the Rule. The specific nature of the information to be made available and of the notices of listed events required to be provided are summarized in APPENDIX C attached hereto.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes which may be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the taxation of property within the District, and certain other considerations see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation will receive compensation from the District contingent upon the sale and delivery of the Bonds. U.S. Bank National Association has been appointed as the Paying Agent with respect to the Bonds and Escrow Agent with respect to the 2019 Refunding Bonds and the Refunded Bonds. Causey Demgen & Moore P.C. is acting as Verification Agent (as defined herein) with respect to the 2019 Refunding Bonds and the Refunded Bonds. From time to time, Bond Counsel represents the Underwriter in matters unrelated to the District or the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the San Bernardino Community College District, 550 East Hospitality Lane, Suite 200, San Bernardino, California 92408, telephone: (909) 382-4000. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolutions.

THE BONDS

Authority for Issuance

The New Money Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and applicable provisions of the Education Code, Article XIIIA of the State Constitution, and pursuant to the New Money Resolution. The District received authorization at an election held on November 6, 2018, by the requisite 55% of the votes cast by eligible voters within the District, to issue not-to-exceed $470,000,000 of general obligation bonds (the "2018 Authorization"). The Bonds are the first issuance of bonds pursuant to the 2018 Authorization, and following the issuance thereof, $170,000,000[*] of bonds shall remain authorized but unissued.

The 2019 Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and the Refunding Resolution.

[*] Preliminary, subject to change.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The Counties, however, are not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representation that such a reserve will be established by either of the Counties or that such a reserve, if previously established by either of the Counties, will be maintained in the future. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (defined herein) established by the Resolutions, each of which is required to be segregated and maintained by the County and which is designated for the payment of the respective series of Bonds to which such Debt Service Fund relates, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Funds to the payment of the Bonds. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds, the Bonds are not a debt of the either of the Counties.

Moneys in the Debt Service Funds, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its DTC Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the Counties to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service due on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. See "THE BONDS – Book Entry Only System" herein.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery of the Bonds, and be payable semiannually on each Bond Payment Date, commencing February 1, 2020. Interest on the Bonds will be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2020, in which event it shall bear interest from its date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the cover hereof.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the 15th day of the month preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds shall be payable upon maturity or redemption upon surrender at the principal corporate trust office of the Paying Agent. The principal of, premiums, if any, and interest on, the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof

So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See also "—Book-Entry Only System" below.

Annual Debt Service

The following table shows the debt service schedule with respect to the Bonds, assuming no optional redemptions.

	Series A Bonds		Series A-1 Bonds		2019 Refunding Bonds		
Year Ending August 1	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment	Annual Interest Payment(1)	Total Annual Debt Service

(1) Interest payments on the Bonds will be made semiannually on August 1 and February 1 of each year, commencing February 1, 2020.

See "SAN BERNARDINO COMMUNITY COLLEGE DISTRICT – District Debt Structure – General Obligation Bonds" herein for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

Application and Investment of Bond Proceeds

New Money Bonds. The New Money Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the New Money Bonds.

The net proceeds from the sale of the New Money Bonds will be paid to the County treasury to the credit of the building funds (the "Building Funds") created by the New Money Resolution, shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Any accrued interest or premium received by the County from the sale of the New Money Bonds will be paid to the County treasury, to the credit of the debt service funds created by the New Money Resolution (the "New Money Debt Service Fund") and used only for payment of principal of and interest on the New Money Bonds, and for no other purpose. Any excess proceeds of the New Money Bonds not needed for the authorized purposes for which the New Money Bonds are being issued shall be transferred to the New Money Debt Service Fund and applied to the payment of principal of and interest on the New Money Bonds. Pursuant to the New Money Resolution, the District has pledged monies on deposit in the New Money Debt Service Fund to the payment of the New Money Bonds. If, after payment in full of the New Money Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

2019 Refunding Bonds. The 2019 Refunding Bonds are being issued to (i) advance refund the Refunded Bonds, and (ii) pay the costs of issuing the 2019 Refunding Bonds.

The net proceeds from the sale of the 2019 Refunding Bonds will be deposited with the Escrow Agent, to the credit of the "San Bernardino Community College District 2019 General Obligation Refunding Bonds (Federally Taxable) Escrow Fund" (the "Escrow Fund") held pursuant to an escrow agreement, dated September 1, 2019, by and between the District and U.S. Bank National Association (the "Escrow Agreement"). Pursuant to the Escrow Agreement, the amounts deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America (collectively, the "Federal Securities"), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the redemption price of the Refunded Bonds the first optional redemption dates therefor, as well as the interest due on the Refunded Bonds on and prior to such dates. Amounts deposited into the Escrow Fund under the Escrow Agreement are not available to pay any other obligations of the District.

The tables on the following page show information on the specific maturities of the Refunded Bonds to be refunded with proceeds of the Bonds.

REFUNDED 2008 SERIES D CURRENT INTEREST BONDS*
San Bernardino Community College District
Election of 2008 General Obligation Bonds, Series D
(Current Interest Bonds)

Maturity Date (August 1)	Original Principal Amount	Outstanding Principal to be Refunded	Interest Rate	Redemption Date	Redemption Price (% of Principal Amount)	CUSIP†
2045	$13,155,000	$13,155,000	5.000%	08/01/2025	100%	796720JW1
2048	12,260,000	12,260,000	5.000	08/01/2025	100	796720JX9

REFUNDED 2008 SERIES D CAPITAL APPRECIATION BONDS
San Bernardino Community College District
Election of 2008 General Obligation Bonds, Series D
(Capital Appreciation Bonds)

Maturity Date (August 1)	Denominational Amount	Accretion Rate	Redemption Date	Accreted Value at Redemption Date	Redemption Price (Accreted Value)	CUSIP†
2029	$567,380.00	4.150%	08/01/2025	$848,480.00	100%	796720KG4
2030	582,736.00	4.340	08/01/2025	887,480.00	100	796720KH2
2031	597,792.00	4.460	08/01/2025	920,952.00	100	796720KJ8
2032	609,570.00	4.560	08/01/2025	948,129.00	100	796720KK5
2033	628,755.25	4.610	08/01/2025	982,660.90	100	796720KL3
2034	403,843.20	4.660	08/01/2025	634,185.60	100	796720KM1
2035	427,204.80	4.740	08/01/2025	676,026.00	100	796720KN9
2036	453,024.00	4.780	08/01/2025	719,635.40	100	796720KP4
2037	476,264.50	4.820	08/01/2025	759,454.25	100	796720KQ2
2038	496,940.40	4.860	08/01/2025	795,455.10	100	796720KR0
2039	517,853.55	4.890	08/01/2025	831,332.10	100	796720KS8
2040	560,134.10	4.910	08/01/2025	900,906.90	100	796720KT6

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Underwriter nor the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds and Refunded Bonds. The CUSIP number for a specific maturity is subject to being changed as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and Refunded Bonds.

* Preliminary, subject to change.

REFUNDED 2013 REFUNDING BONDS, SERIES A*
San Bernardino Community College District
2013 General Obligation Refunding Bonds, Series A

Maturity Date (August 1)	Original Principal Amount	Outstanding Principal to be Refunded	Interest Rate	Redemption Date	Redemption Price (% of Principal Amount)	CUSIP†
2024	$16,665,000	$16,665,000	5.000%	08/01/2023	100%	796720HQ6
2025	18,515,000	18,515,000	5.000	08/01/2023	100	796720HR4
2026	20,505,000	20,505,000	5.000	08/01/2023	100	796720HS2
2027	22,635,000	22,635,000	4.000	08/01/2023	100	796720HT0
2028	5,000,000	5,000,000	4.000	08/01/2023	100	796720HU7
2028	6,945,000	6,945,000	5.000	08/01/2023	100	796720HV5
2029	5,000,000	5,000,000	4.000	08/01/2023	100	796720HW3
2029	8,130,000	8,130,000	5.000	08/01/2023	100	796720HX1
2030	14,400,000	14,400,000	4.000	08/01/2023	100	796720HY9
2031	15,660,000	15,660,000	4.000	08/01/2023	100	796720HZ6
2032	17,010,000	17,010,000	4.000	08/01/2023	100	796720JA9
2033	9,665,000	9,665,000	4.000	08/01/2023	100	796720JB7

REFUNDED 2015 REFUNDING BONDS*
San Bernardino Community College District
2015 General Obligation Refunding Bonds

Maturity Date (August 1)	Original Principal Amount	Outstanding Principal to be Refunded	Interest Rate	Redemption Date	Redemption Price (% of Principal Amount)	CUSIP†
2028	$11,305,000	$11,305,000	5.000%	08/01/2025	100%	796720KW9
2029	12,415,000	12,415,000	5.000	08/01/2025	100	796720KX7
2030	13,605,000	13,605,000	5.000	08/01/2025	100	796720KY5
2031	14,870,000	14,870,000	5.000	08/01/2025	100	796720KZ2

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C., as the verification agent (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the Counties to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate. See "LEGAL MATTERS – Escrow Verification" herein.

Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds will be transferred to and accounted for in the fund designated as the debt service fund

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* Preliminary, subject to change.

created by the Refunding Resolution (the "2019 Refunding Debt Service Fund," and together with the New Money Debt Service Funds, the "Debt Service Funds") and used by the District only for payment of principal of and interest on the 2019 Refunding Bonds and for no other purpose. Any excess proceeds of the 2019 Refunding Bonds not needed for the authorized purposes for which the 2019 Refunding Bonds are being issued will be transferred to the 2019 Refunding Debt Service Fund and applied to the payment of principal of and interest on the 2019 Refunding Bonds. Pursuant to the Refunding Resolution, the District has pledged monies on deposit in the 2019 Refunding Debt Service Fund to the payment of the 2019 Refunding Bonds. If, after payment in full of the 2019 Refunding Bonds, there remain excess proceeds, any such excess amounts will be transferred to the general fund of the District.

Investment of Proceeds. Funds on deposit in the Escrow Fund will be invested as described above. Moneys in the Building Funds and Debt Service Funds will be invested through the County's pooled investment fund. See "APPENDIX E – SAN BERNARDINO COUNTY TREASURY POOL" attached hereto.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Series A Bonds Mandatory Sinking Fund Redemption.* The Series A Bonds maturing on August 1, 20__ (the "Series A Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount represented by such Series A Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

Year Ending August 1	Principal To Be Redeemed

[1] Maturity.

In the event that a portion of the Series A Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

* Preliminary, subject to change.

Series A-1 Bonds Mandatory Sinking Fund Redemption.* The Series A-1 Bonds maturing on August 1, 20__ (the "Series A-1 Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount represented by such Series A-1 Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

Year Ending **August 1**	**Principal** **To Be Redeemed**

(1) Maturity.

In the event that a portion of the Series A-1Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed

2019 Refunding Bonds Mandatory Sinking Fund Redemption.* The 2019 Refunding Bonds maturing on August 1, 20__ (the "Refunding Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof as of the date fixed for redemption, together with interest accrued to the date set for such redemption, without premium. The principal amount represented by such 2019 Refunding Bonds to be so redeemed and the redemption dates therefor, and the final payment date is as indicated in the following table:

Year Ending **August 1**	**Principal** **To Be Redeemed**

(1) Maturity.

In the event that a portion of the Refunding Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed

Selection of Bonds for Redemption**.** Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed by the District and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District and, if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent will determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof.

[*] Preliminary, subject to change.

Redemption Notice. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance" herein, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in the Resolution and in "—Defeasance" herein, and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—Defeasance" herein, such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity pursuant to the provisions of the Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, all as provided in the Resolution, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of principal, interest, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such bond, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The

District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" herein and "APPENDIX A – FORMS OF OPINION OF BOND COUNSEL" attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its designated office all books and records necessary for the registration, exchange and transfer of such Bonds, which will at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described herein is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, and exchange of the Bonds.

Payment of interest on any Bond will be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds, will be payable upon maturity or redemption upon surrender at the designated corporate trust office of the Paying Agent. The principal of, premiums, if any, and interest on, the Bonds will be payable in lawful money of the United States of America.

Any Bond may be exchanged for Bonds of like tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof) upon presentation and surrender at the designated corporate trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated corporate trust office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

> (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with any amounts transferred from the respective Debt Service Funds, if any, is sufficient to pay all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any), at or before their maturity date; or
>
> (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations, together with any amounts transferred from the respective Debt Service Funds and any other cash, if any, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid, all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that all such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), or Moody's Investors Service ("Moody's").

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are expected to be as follows:

Sources of Funds	**Series A Bonds**	**Series A-1 Bonds**	**2019 Refunding Bonds**
Principal Amount of the Bonds			
[Net] Original Issue Premium			
Total Sources			
Uses of Funds			
Deposit to Building Funds			
Deposit to Series A Debt Service Fund			
Deposit to Series A-1 Debt Service Fund			
Deposit to Escrow Fund			
Underwriting Discount			
Costs of Issuance(1)			
Total Uses			

(1) Represents all costs of issuance to be paid from proceeds of the Bonds, including, but not limited to legal fees, printing costs, the costs and fees of the Paying Agent, Escrow Agent, and Verification Agent, rating agency fees, and other costs of issuance of the Bonds.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The principal of and interest on the Bonds are payable solely from the proceeds of* ad valorem *property taxes levied and collected by the Counties on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

District property taxes are assessed and collected by the Counties at the same time and on the same tax rolls as county, city and special district property taxes. Assessed valuations are the same for both the District and the Counties' taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property is assessed on the "unsecured roll." Unsecured property comprises all property not attached to land, such as personal property or business property. Boats and airplanes are examples of unsecured property. A supplemental roll is developed when property changes hands or new construction is completed. The Counties levy and collect all property taxes for property falling within the Counties taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Tax Collector of the respective Counties (each, a "Tax Collector"). After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also "– Tax Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, K-14 school districts (as defined herein), will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

The table on the following page shows the assessed valuations for the District for fiscal years 2010-11 through 2019-20, each as of the date the equalized assessment tax roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2010-11 through 2019-20
San Bernardino Community College District

San Bernardino County Portion

	Local Secured	Utility	Unsecured	Total
2010-11	$48,102,225,348	$22,211,984	$2,573,011,000	$50,697,448,332
2011-12	47,441,439,373	653,349,202	2,444,183,035	50,538,971,610
2012-13	47,852,992,373	634,079,873	2,544,636,467	51,031,708,713
2013-14	49,046,055,762	613,977,400	2,635,586,804	52,295,619,966
2014-15	52,070,446,839	646,817,687	2,804,917,216	55,522,181,742
2015-16	54,764,466,184	703,919,414	2,968,715,761	58,437,101,359
2016-17	58,022,371,593	709,702,741	2,842,648,075	61,574,722,409
2017-18	61,350,167,849	704,674,036	3,022,779,043	65,077,620,928
2018-19	65,775,983,704	768,052,966	3,176,842,931	69,720,879,601
2019-20	70,739,160,292	707,074,039	3,321,874,158	74,768,108,489

Riverside County Portion

	Local Secured	Utility	Unsecured	Total
2010-11	$616,305,411	--	$9,661,756	$625,967,167
2011-12	599,232,542	--	10,289,144	609,521,686
2012-13	595,438,145	--	11,758,251	607,196,396
2013-14	603,648,584	--	17,075,546	620,724,130
2014-15	657,473,869	--	10,750,105	668,223,974
2015-16	692,377,123	--	10,362,378	702,739,501
2016-17	740,694,108	--	9,758,486	750,452,594
2017-18	793,309,516	--	10,346,970	803,656,486
2018-19	845,163,909	--	10,064,165	855,228,074
2019-20	881,698,016	--	11,073,148	892,771,164

Total District

	Local Secured	Utility	Unsecured	Total
2010-11	$48,718,530,759	$22,211,984	$2,582,672,756	$51,323,415,499
2011-12	48,040,671,915	653,349,202	2,454,472,179	51,148,493,296
2012-13	48,448,430,518	634,079,873	2,556,394,718	51,638,905,109
2013-14	49,649,704,346	613,977,400	2,652,662,350	52,916,344,096
2014-15	52,727,920,708	646,817,687	2,815,667,321	56,190,405,716
2015-16	55,456,843,307	703,919,414	2,979,078,139	59,139,840,860
2016-17	58,763,065,701	709,702,741	2,852,406,561	62,325,175,003
2017-18	62,143,477,365	704,674,036	3,033,126,013	65,881,277,414
2018-19	66,621,147,613	768,052,966	3,186,907,096	70,576,107,675
2019-20	71,620,858,308	707,074,039	3,332,947,306	75,660,879,653

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as a general market decline in real property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, wildfire, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the Counties to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the respective county assessors, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor of the State (the "Governor") signed into law Assembly Bill 102 ("AB 102"). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

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Assessed Valuation by Jurisdiction. The following table below shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2019-20 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2019-20
San Bernardino Community College District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Big Bear Lake	$ 3,681,700,537	4.87%	$3,681,700,537	100.00%
City of Colton	3,770,649,849	4.98	3,770,649,849	100.00
City of Fontana	2,650,995,708	3.50	21,160,085,508	12.53
City of Grand Terrace	1,158,028,860	1.53	1,158,028,860	100.00
City of Highland	3,845,838,565	5.08	3,845,838,565	100.00
City of Loma Linda	2,340,481,074	3.09	2,340,481,074	100.00
City of Redlands	10,453,348,776	13.82	10,453,348,776	100.00
City of Rialto	8,759,620,589	11.58	10,022,185,498	87.40
City of San Bernardino	15,557,320,601	20.56	15,557,320,601	100.00
City of Yucaipa	4,724,942,109	6.24	4,724,942,109	100.00
Unincorporated San Bernardino County	17,825,181,821	23.56	35,611,532,309	50.05
City of Calimesa	654,178,564	0.86	971,334,560	67.35
City of Jurupa Valley	198,907	0.00	10,570,744,111	0.00
Unincorporated Riverside County	238,393,693	0.32	45,667,165,927	0.52
Total District	$75,660,879,653	100.00%		
Summary by County:				
Riverside County	$892,771,164	1.18%	$296,389,624,742	0.30%
San Bernardino County	74,768,108,489	98.82	237,014,054,031	31.55
Total District	$75,660,879,653	100.00%		

Source: California Municipal Statistics, Inc.

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Assessed Valuation and Parcels by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2019-20.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2019-20
San Bernardino Community College District

Non-Residential:	**2019-20 Assessed Valuation[1]**	**% of Total**	**No. of Parcels**	**% of Total**
Agricultural/Rural	$300,125,835	0.41%	810	0.27%
Commercial	6,047,800,660	8.25	6,319	2.14
Professional/Office	1,685,043,166	2.30	1,558	0.53
Industrial	7,861,647,574	10.72	3,104	1.05
Recreational	285,463,018	0.39	780	0.26
Government/Social/Institutional	288,086,732	0.39	818	0.28
Power Plant/Utilities	707,074,039	0.96	79	0.03
Miscellaneous	64,552,081	0.09	699	0.24
Subtotal Non-Residential	$17,239,793,105	23.51%	14,167	4.80%
Residential:				
Single Family Residence	$48,715,522,922	66.42%	198,279	67.15%
Condominium/Townhouse	1,412,780,908	1.93	11,350	3.84
Mobile Home	201,450,369	0.27	6,565	2.22
Mobile Home Park	342,921,768	0.47	179	0.06
Timeshare Use	58,805,156	0.08	9,982	3.38
Miscellaneous Residential	33,027,851	0.05	400	0.14
2-4 Residential Units	1,634,821,801	2.23	7,194	2.44
5+ Residential Units/Apartments	2,689,253,913	3.67	2,179	0.74
Subtotal Residential	$55,088,584,688	75.11%	236,128	79.97%
Vacant Parcels	$1,015,697,359	1.38%	44,975	15.23%
Total	$73,344,075,152	100.00%	295,270	100.00%

[1] Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2019-20 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2019-20
San Bernardino Community College District

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	198,279	$48,715,522,922	$245,692	$210,519

2019-20 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	1,656	0.835%	0.835%	$29,165,831	0.060%	0.060%
25,000 - 49,999	7,158	3.610	4.445	278,038,289	0.571	0.631
50,000 - 74,999	9,499	4.791	9.236	596,392,719	1.224	1.855
75,000 - 99,999	11,901	6.002	15.238	1,046,092,009	2.147	4.002
100,000 - 124,999	14,164	7.143	22.382	1,599,085,085	3.282	7.285
125,000 - 149,999	15,788	7.963	30.344	2,172,091,378	4.459	11.743
150,000 - 174,999	16,593	8.369	38.713	2,695,315,904	5.533	17.276
175,000 - 199,999	15,722	7.929	46.642	2,943,699,085	6.043	23.319
200,000 - 224,999	14,716	7.422	54.064	3,121,516,293	6.408	29.726
225,000 - 249,999	13,663	6.891	60.955	3,243,962,724	6.659	36.385
250,000 - 274,999	11,941	6.022	66.977	3,131,069,548	6.427	42.813
275,000 - 299,999	10,188	5.138	72.115	2,922,732,235	6.000	48.812
300,000 - 324,999	9,485	4.784	76.899	2,959,175,163	6.074	54.887
325,000 - 349,999	7,972	4.021	80.919	2,686,292,750	5.514	60.401
350,000 - 374,999	6,849	3.454	84.374	2,478,093,509	5.087	65.488
375,000 - 399,999	5,799	2.925	87.298	2,242,806,868	4.604	70.092
400,000 - 424,999	4,888	2.465	89.763	2,011,881,027	4.130	74.222
425,000 - 449,999	3,743	1.888	91.651	1,634,647,952	3.355	77.577
450,000 - 474,999	2,982	1.504	93.155	1,377,010,636	2.827	80.404
475,000 - 499,999	2,379	1.200	94.355	1,158,678,200	2.378	82.782
500,000 and greater	11,193	5.645	100.000	8,387,775,717	17.218	100.000
Total	198,279	100.000%		$48,715,522,922	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Tax Delinquencies

The County and Riverside County levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes for property falling within the respective Counties' taxing boundaries.

The following table shows the secured tax charges and delinquencies for fiscal years 2007-08 through 2018-19 in the portion of the District in Riverside County. Secured tax charges and delinquency information is not available for the County portion of the District.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2007-08 through 2017-18
San Bernardino Community College District
(Riverside County Portion Only)

	Secured Tax Charge[1]	Amount Delinquent (as of June 30)	Percent Delinquent (as of June 30)
2007-08	$81,837.90	$8,869.45	10.84%
2008-09	280,836.40	52,233.70	18.60
2009-10	174,743.57	20,950.00	11.99
2010-11	282,048.04	23,472.33	8.32
2011-12	218,598.63	7,182.92	3.29
2012-13	248,714.53	6,340.35	2.55
2013-14	268,617.33	6,425.47	2.39
2014-15	254,148.32	7,166.19	2.82
2015-16	274,556.89	7,731.48	2.82
2016-17	255,558.21	5,880.85	2.30
2017-18	294,690.03	4,554.67	1.55

(1) Bond debt service levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of each of the Counties has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Revenue and Taxation Code Section 4701 *et seq.*. Under the Teeter Plan, each of the Counties apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the respective county acts as the tax-levying or tax-collecting agency.

The Teeter Plan of each of the Counties is applicable to all tax levies for which such county acts as the tax-levying or tax-collecting agency, or for which such county's treasury is the legal depository of the tax collections.

The secured *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds will be subject to the Teeter Plan of each of the Counties, beginning in the first year of such levy. The District will receive 100% of the secured *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by each of the respective Counties.

The Teeter Plan of each of the Counties is to remain in effect unless the Board of Supervisors of such county orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1), the Board of Supervisors of such county receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in such county. In the event the Board of Supervisors of either of the Counties is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected in such county would be allocated to political subdivisions (including the District) for which such county acts as the tax-levying or tax-collecting agency.

Tax Rates

Representative tax rate areas ("TRAs") located within the District are Tax Rate Areas 5-000, 17-001 and 105-17. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in these TRAs during the five-year period from 2015-16 through 2019-20.

TYPICAL TAX RATES (TRA 5-000)
Fiscal Years 2015-16 through 2019-20
San Bernardino Community College District

Total Tax Rates per $100 of Assessed Valuation for Largest Tax Rate Areas

	2015-16	2016-17	2017-18	2018-19	2019-20
TRA 5-000 – 2019-20 Assessed Valuation: $5,743,011,063					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of Redlands	.0105	--	--	--	--
Redlands Unified School District	.0567	.0524	.0494	.0324	.0339
San Bernardino Community College District	.0403	.0350	.0376	.0407	.0562
San Bernardino Valley Municipal Water District	.1625	.1625	.1525	.1525	.1425
Total Tax Rate	1.2595%	1.2499%	1.2395%	1.2256%	1.2326%
TRA 17-001 – 2019-20 Assessed Valuation: $2,846,893,252					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bear Valley Unified School District	.0348	.0320	.0313	.0302	.0301
San Bernardino Community College District	.0403	.0350	.0376	.0407	.0562
Total Tax Rate	1.0751%	1.0670%	1.0689%	1.0709%	1.0863%
TRA 105-17 – 2019-20 Assessed Valuation: $3,390,568,621					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Rim of the World Unified School District	.0161	.0181	.0171	.0141	.0159
San Bernardino Community College District	.0403	.0350	.0376	.0407	.0562
Total Tax Rate	1.0564%	1.0531%	1.0547%	1.0548%	1.0721%

Source: California Municipal Statistics, Inc.

Largest Property Owners

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses is such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2019-20 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representations as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2019-20
San Bernardino Community College District

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total[1]
1.	Prologis LP	Industrial	$919,900,297	1.27%
2.	Southern California Edison Company	Power Plant	684,336,529	0.95
3.	Stater Bros. Markets	Industrial/Office Building	371,478,302	0.51
4.	Target Corporation	Industrial	359,714,167	0.50
5.	Teachers Insurance & Annuity Association	Industrial	262,513,064	0.36
6.	Rialto Bldg 6 Project LLC	Industrial	182,668,654	0.25
7.	AM Institutional Alliance Fund III	Industrial	154,682,778	0.21
8.	WI Loma Linda LLC	Medical Buildings	135,037,384	0.19
9.	PVT Apartments SPE LLC	Apartments	130,600,000	0.18
10.	Watson land Company	Industrial	129,295,424	0.18
11.	Mountain Grove Partners	Shopping Center	118,959,846	0.16
12.	WM Inland Investors IV LLC	Shopping Center	115,513,944	0.16
13.	Ashley Furniture Industries Inc.	Industrial	114,219,642	0.16
14.	Lit Industrial LP	Industrial	109,824,227	0.15
15.	Sierra Lakes Commerce LLC	Industrial	109,023,747	0.15
16.	IE Logistics Inc.	Industrial	108,017,895	0.15
17.	Thrifty Oil Co.	Industrial	107,316,923	0.15
18.	NYS/New LLC	Office Building	105,105,844	0.15
19.	Westcore II Tippecanoe LLC	Industrial	97,461,000	0.13
20.	Gear 6207 Cajon Propco LLC	Industrial	96,638,000	0.13
			$4,412,307,667	6.10%

(1) 2019-20 local secured assessed valuation: $72,328,628,088.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of November 1, 2019 for debt issued as of October 14, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
San Bernardino Community College District

2019-20 Assessed Valuation: $75,660,879,653

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**[1]	**Debt 11/1/19**
Metropolitan Water District	0.035%	$16,818
San Bernardino Community College District	**100.000**	**418,218,861** [2]
Bear Valley Unified School District	100.000	8,414,898
Beaumont Unified School District	0.059	49,308
Colton Joint Unified School District	100.000	182,403,765
Redlands Unified School District	100.000	67,818,512
Rialto Unified School District	100.000	78,573,902
Rim of the World Unified School District	100.000	19,429,996
San Bernardino City Unified School District	100.000	230,457,341
San Gorgonio Memorial Hospital District	0.384	409,210
Community Facilities Districts	40.064-100.000	168,970,753
1915 Act Bonds	42.272-100.000	4,822,803
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,179,586,167
OVERLAPPING GENERAL FUND DEBT:		
San Bernardino County General Fund Obligations	31.343%	$74,953,650
San Bernardino County Pension Obligation Bonds	31.343	74,349,557
San Bernardino County Flood Control District General Fund Obligations	31.343	17,914,092
Riverside County General Fund and Pension Obligation Bonds	0.305	3,094,641
San Bernardino City Unified School District Certificates of Participation	100.000	102,105,000
Rialto Unified School District Certificates of Participation	100.000	12,389,391
Other School District Certificates of Participation	Various	18,725,346
City of Colton General Fund and Pension Obligation Bonds	100.000	27,599,400
City of Redlands Pension Obligation Bonds	100.000	8,098,225
City of San Bernardino General Fund Obligations and Pension Obligation Bonds	100.000	47,868,762
Other City General Fund Obligations	Various	11,001,485
Special District General Fund Obligations	99.975-100.000	6,041,070
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$404,140,619
Less: Riverside County supported obligations		5,298
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$404,135,321
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agency to Fontana Redevelopment Agency	15.196-43.130%	$40,381,131
Successor Agency to Highland Redevelopment Agency	100.000	44,945,000
Successor Agency to Rialto Redevelopment Agency	85.867	102,417,864
Successor Agency to San Bernardino County Redevelopment Agency	100.000	237,290,000
Successor Agency to San Bernardino City Redevelopment Agency	100.000	66,201,797
Successor Agency to Other Redevelopment Agencies	Various	77,256,481
TOTAL OVERLAPPING TAX INCREMENT DEBT		$568,492,273
GROSS COMBINED TOTAL DEBT		$2,152,219,059 [3]
NET COMBINED TOTAL DEBT		$2,152,213,761

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($418,218,861) 0.55%
Total Direct and Overlapping Tax and Assessment Debt 1.56%
Gross Combined Total Debt 2.84%
Net Combined Total Debt 2.84%

Ratios to Redevelopment Incremental Valuation ($23,733,184,184):
Total Overlapping Tax Increment Debt 2.40%

(1) 2018-19 ratios.
(2) Excludes issue to be sold.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied by the Counties on all taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes on behalf of the District and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the Counties to levy* ad valorem *property taxes for payment of the principal of and interest on the Bonds.*

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor of each county. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the fiscal year 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the Counties to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the legislature of the State (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "2020 Ballot Measure"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIIIA such that the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the "full cash value" of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State's constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the State Supreme Court have upheld the general validity of Article XIIIA.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50 percent of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120 percent of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105 percent of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110 percent of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115 percent of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a community supported district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, community college district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts and community college districts (collectively "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for bonded debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including K-14 school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as K-14 school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the Counties pursuant to Article XIIIA of the State Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act were modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990.

The Accountability Act changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. A complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to K-14 school districts (also referred to as a "maintenance factor") which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as "Proposition 39") to the State Constitution. Proposition 39 is an initiated Constitutional amendment that (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, such that property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the governing board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district, such as the District, or a high school district), or $25 (for a community college district, such as the District), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See "Article XIIIA of the California Constitution, herein.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to K-14 school districts, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to K-14 school districts or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on State transportation bonds, to borrow or change the distribution of State fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for K-14 school districts, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than

$300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the State Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated

State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum funding guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school facilities ($500 million) and technical education facilities ($500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning State funding of community college districts is provided as supplementary information only, and it should not be inferred from the inclusion of the information under this heading that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the Counties on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Major Revenues

General. California community college districts (other than "community supported" Basic Aid districts, as described below) receive a majority of their funding from the State, and the balance from local and federal sources. State funds include general apportionment, categorical funds, capital construction, lottery funds, and other minor sources. Every community college district receives the same amount of State lottery funds on a per-student basis (which is generally less than 3%), although lottery funds are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery requires the funds to be used for instructional purposes, and prohibits their use for capital purposes.

The major local revenue source is local property taxes that are collected from within district boundaries, with student enrollment fees accounting for the most of the remainder. A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations, educational foundation contributions and sales or leases of property.

The sum of property taxes, student enrollment fees, EPA funds, and State aid comprise a district's revenue limit. State funding is generally subject to the appropriation of funds in the State's annual budget. Thus, decreases in State revenues may affect appropriations made by the State Legislature to community college districts.

"Basic Aid" community college districts (also referred to "community supported" districts) are those districts whose local property taxes, student enrollment fee collections, and Education Protection Account funds exceed the revenue allocation determined by the current State funding model. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 55." Thus, Basic Aid districts do not receive any general apportionment funding from the State. The current law in the State allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that legislatively determined annual COLAs and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. The District is not currently a Basic Aid district.

Enrollment Based Funding. California community college districts apportionments were previously funded pursuant to a system established by Senate Bill 361 ("SB 361"). SB 361 provided for a basic allocation (a "Basic Allocation") based on the number of colleges, state-approved education centers and total enrollment, together with funding based on per-student rates for credit FTES, non-credit FTES and career development and college preparation ("CDCP") non-credit FTES.

SB 361 specified that, commencing with the 2006-07 fiscal year the minimum funding per FTES would be: (a) not less than $4,367 per credit FTES; (b) at a uniform rate of $2,626 per non-credit FTES; and (c) $3,092 per CDCP FTES. Although CDCP FTES were initially funded at a lower rate than credit

FTES, subsequent legislation effective as of the 2015-16 fiscal year set the minimum funding for CDCP FTES at the same level as credit FTES. Each such minimum funding rate was subject to cost of living adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year.

One unit of FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District.

In each fiscal year, the State budget previously established an enrollment cap on the maximum number of resident FTES, known as the "funded" FTES, for which a community college district would receive a revenue allocation. A district's enrollment cap was based on the previous fiscal year's reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap were considered "unfunded" FTES. Nonresident and international students are excluded from the State funding formula and pay full tuition.

Student Centered Funding Formula. Assembly Bill 1809 ("AB 1809"), the higher education trailer bill passed as part of the State budget for fiscal year 2018-19, implemented a new funding mechanism for community college districts referred to as the "Student Centered Funding Formula," (the "SCFF"). The SCFF includes three components: (1) a base allocation (the "Base Allocation") driven primarily by enrollment, (2) a supplemental allocation (the "Supplemental Allocation") based on the number of certain types of low-income students, and (3) a student success allocation (the "Student Success Allocation") calculated using various performance-based metrics.

The SCFF includes several hold-harmless provisions to provide districts greater financial stability in transitioning to the new formula: (i) for fiscal years 2018-19 through 2021-22, community college districts will receive no less in total apportionment funding than they received in 2017-18, adjusted for COLAs; (ii) for fiscal year 2021-22 and onward, districts will receive no less in apportionment funding per-student than they received in fiscal year 2017-18; and (iii) beginning in fiscal year 2018-19, districts will receive the greater of the amount calculated by the SCFF for the current or prior year (excluding amounts districts receive pursuant to the provision summarized in (i) above.)

<u>Base Allocation.</u> The Base Allocation is composed of (1) the Basic Allocation, determined consistent with the prior funding formula (see "—Enrollment Based Funding" herein), and (2) funding for credit, non-credit and CDCP FTES. The Base Allocation is expected to constitute approximately 65% of Statewide funding for community college districts in fiscal year 2019-20 and 60% in fiscal years 2020-21 and onward.

The SCFF provides minimum funding levels for credit FTES for the first three fiscal years, as follows: (i) $3,727 for fiscal year 2018-19, (ii) $3,387 for fiscal year 2019-20, adjusted for COLAs and other base adjustments, and (iii) $3,046 for fiscal year 2020-21, adjusted for COLAs and other base adjustments in both the then-current and prior fiscal year. Notwithstanding the foregoing, the SCFF provides higher credit FTES funding rates for certain districts, which do not include the District, that were entitled to higher funding rates under the prior funding formula. Beginning in fiscal year 2021-22, the provision of COLAs and other adjustments will be subject to appropriation therefor in the annual State budget. Total funding for credit FTES will be based on a rolling three-year average of the funded credit FTES from the current fiscal year and the two immediately preceding fiscal years.

Funding levels for non-credit and CDCP FTES are determined consistent with the prior funding formula. See "—Enrollment Based Funding" herein. Total funding for these categories will be based on actual non-credit and CDCP FTES for the most recent fiscal year.

For fiscal year 2018-19, the District received a Base Allocation equal to $66,092,275. For fiscal year 2019-20, the District has budgeted the receipt of Base Allocation equal to $68,590,811.

The table below shows a breakdown of the District's historical resident FTES figures for the last ten fiscal years, and a projection for the current fiscal year.

FULL TIME EQUIVALENT STUDENTS[(1)]
Fiscal Years 2009-10 through 2019-20
San Bernardino Community College District

Year	Funded FTES[(2)]	Unfunded FTES[(2)(3)]	Total FTES
2009-10	13,777	2,061	15,838
2010-11	14,151	1,038	15,189
2011-12	13,069	696	13,765
2012-13	13,241	--	13,241
2013-14	13,576	825	14,401
2014-15	14,245	472	14,717
2015-16	15,343	--	15,343
2016-17[(4)]	15,343	--	15,343
2017-18	15,304	--	15,304
2018-19	15,292	--	15,292
2019-20[(5)]	15,364	--	15,364

(1) One FTES is equivalent to 525 student contact hours, which is determined based on a State formula of one student multiplied by 15 weekly contact hours multiplied by 35 weeks. Accordingly, the number of FTES in the District may not equal the number of students enrolled in the District. Reflects resident FTES counts only. Non-resident FTES are generally excluded from State funding formula calculations.
(2) In each fiscal year, the State budget will establish an enrollment cap on the maximum number of FTES, known as the "funded" FTES, for which a community college district will receive a revenue allocation, as determined by the program-based model. A district's enrollment cap is based on the previous fiscal year's reported FTES, plus the growth allowance provided for by the State budget, if any. All student hours in excess of the enrollment cap are considered "unfunded" FTES.
(3) Unfunded FTES amounts are the product of increased enrollment coupled with lower State funding levels.
(4) In fiscal year 2016-17, FTES figures include approximately 1,090 FTES in excess of the District's actual FTES count, and for which it received State funding. Reflects the receipt of "stability" funding. Under California Code Regulations Section 58776, during the initial year of a decline in FTES, community college districts are eligible to receive "stability" funding, in an amount equal to the revenue loss associated with a decline in FTES for that year. Stability funding is available for a one year period. If FTES are not restored to the pre-decline level within a period of two years following the initial decline, a community college district that has received stability funding is subject to a permanent reduction of its funded FTES and an attendant decline in operating revenue.
(5) Budgeted.

Supplemental Allocation. The Supplemental Allocation, accounting for approximately 20% of Statewide funding, will be distributed to districts based on their headcounts of students that qualify for Federal Pell Grants, California College Promise Grants or student fee waivers under California Education Code 76300. The SCFF provides $919 per qualifying student for fiscal year 2018-19. Beginning in fiscal year 2019-20, the provision of COLAs and other adjustments to this amount will be subject to appropriation therefor in the annual State budget. Headcounts are not unduplicated, such that districts will receive twice as much supplemental funding for a student that falls into more than one of the aforementioned categories. For fiscal year 2018-19, the District received a Supplemental Allocation of approximately $22,221,420. For fiscal year 2019-20, the District has budgeted the receipt of a Supplemental Allocation of approximately $22,955,180.

Student Success Allocation. The Student Success Allocation will be distributed to districts based on their performance in a various student outcome metrics, including obtaining various degrees and certificates, completing transfer-level math and English courses within a student's first year, and having students obtain a regional living wage within a year of completing community college. The Student Success Allocation is expected to account for 10% of statewide funding for community college districts in fiscal year 2018-19, 15% in fiscal year 2019-20 and 20% in fiscal years 2020-21 and onward. Each metric is assigned a point value, with some metrics are weighted more than others. A single student outcome with more points will generate more funding. Outcome metrics for students that qualify for Federal Pell Grants and California College Promise Grants are eligible for additional funding.

For fiscal year 2018-19, the SCFF provides a rate for all students of $440 per point, and an additional $111 per point for Pell Grant and California College Promise Grant students. For fiscal year 2019-20, these rates increase to $660 per point and $167 per point, respectively, subject to COLAs and other base adjustments. For fiscal year 2020-21, the rates increase to $880 per point and $222 per point, respectively, subject to COLAs and other base adjustments. For fiscal year 2018-19, the District received a Student Success Allocation equal to $9,451,000 and for fiscal year 2019-20, the District has budgeted the receipt of a Student Success Allocation equal to $9,759,206.

Budget Procedures

On or before September 15, the Board of Trustees of a community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the legislature. The Governor's State budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the Board of Governors and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

See "SAN BERNARDINO COMMUNITY COLLEGE DISTRICT – General Fund Budgeting" herein for more information regarding the District's recent budgets.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding test ("Test 3") to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual COLA for the minimum guarantee for annual K-14 funding would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIIIB).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is the 1989-90 fiscal year. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount under Proposition 98 guarantee (K-14 education aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to school districts and community college districts which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth and per-capita personal income COLA.

Test 3 established pursuant to Proposition 111, provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance (also referred to as a "maintenance factor") equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Additional Sources of Funding

FCC Auction Proceeds. The District, holds the KVCR-TV's broadcast license, participated in the Federal Communications Commission's voluntary incentive auction designed to increase bandwidth for mobile and wireless providers. By electing to participate in the auction, the District voluntarily relinquished their spectrum usage rights on its ultra-high frequency (UHF) channel. In July 2017, the District received $157,713,171 (the "Auction Proceeds") in one time funds from the sale of its spectrum rights. As a result, the KVCR will now broadcast over a very-high frequency (VHF) channel. Approximately $16 million of the Auction Proceeds from the auction have been invested in KVCR to cover expenses necessary to transition its broadcast facilities from UHF to VHU. Of the remainder, approximately $79 million is being invested in Public Agency Retirement Services (PARS) accounts. The funds invested in the PARS fund are invested in a tax-exempt prefunding vehicle to mitigate long-term STRS and PERS contribution rate volatility and approximately $16 million for other Board approved expenditures. Such funds are protected from diversion to other uses and may be used to offset contribution rate increases or as source of funds for pension related costs. Funds in the PARS Trust can be withdrawn annually in amounts equal to annual STRS and PERS expenses for the current fiscal year, which currently is approximately $13 million. In addition, $46,000,000 has been invested in commercial real estate. Rental income from the commercial real estate, is expected to be approximately $2.5 million annually, which is available for any lawful purpose. Initially, the District plans to use the rental income generated from the commercial real estate investment to fund a portion of the District's free college promise program.

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Tax Offset and Pass-Through Revenues. The District previously received tax offset revenue from the County as a part of certain redevelopment projects within the County (the "Tax Offset Revenues"). The Tax Offset Revenues received are deposited directly into the District's general fund and are offset against the State apportionment received by the District. The District also receives pass-through tax increment revenue (the "Pass-Through Revenues") from the former redevelopment agencies within the District's boundaries. The Pass-Through Revenues received by the District are deposited into the District's Fund 41 – Capital Outlay Fund, and are used for capital facilities projects and capital equipment. The Pass-Through Revenues are not offset against the State apportionment received by the District. The amount of Tax Offset Revenues and Pass-Through Revenues received by the District from fiscal years 2012-13 through 2018-19, and a budgeted amount for fiscal year 2019-20 are shown in the following table.

TAX OFFSET AND PASS-THROUGH REVENUES
Fiscal Years 2012-13 through 2019-20
San Bernardino Community College District

Fiscal Year	Tax Offset Revenues[1]	Pass-Through Revenues[2]
2012-13	$4,285,109	--
2013-14	7,629,340	$1,342,784
2014-15	5,067,569	1,260,664
2015-16	5,129,739	1,606,611
2016-17	7,115,077	1,484,403
2017-18	8,187,986	1,683,706
2018-19	10,738,620	1,926,017
2019-20[3]	--	1,325,000

(1) Tax Offset Revenues received by the District are offset against the State apportionments received by the District.
(2) Pass-Through Revenues received by the District are not offset against the State apportionments received by the District.
(3) Budgeted.
Source: San Bernardino Community College District.

The District, however, can make no representations that Tax Offset Revenues and Pass-Through Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the elimination of redevelopment agencies. See "-Dissolution of Redevelopment Agencies" below. The Bonds, however, are not payable from such revenue. The Bonds shall be payable solely from the proceeds of an *ad valorem* property tax required to be levied by the Counties in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.

Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the State Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least $250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the affected local taxing entity uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved using current assessed values…and pursuant to statutory formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its base apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

State Assistance

State community college districts' principal funding formulas and revenue sources are derived from the State budget. The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District nor the Underwriter takes any responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2.

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at $81.1 billion. Other significant features with respect to community college funding include the following:

- *Student Centered Funding Formula* – An ongoing increase of $254.7 million in Proposition 98 funding to support the SCFF, including (i) an increase of $230 million to support a 3.26% COLA for total apportionment growth, and (ii) an increase of $24.7 million to fund 0.55% of enrollment growth.

- *Settle-Up Payment* - An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, STRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The PERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected PERS employer contribution is expected to be reduced from 23.6% to

22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "SAN BERNARDINO COMMUNITY COLLEGE DISTRICT – Retirement Programs" herein.

- *Free College* - $42.6 million in ongoing Proposition 98 funding to support a second academic year of the California College Promise to waive enrollment fees for fist-time, full-time students.

- *Deferred Maintenance* – A one-time increase of $13.5 million in Proposition 98 funding for deferred maintenance, instructional equipment and specified water conservation projects.

- *Student Support* – An ongoing increase of $9 million in Proposition 98 funding to provide support to community college students who are homeless or are experiencing housing insecurity. The 2019-20 Budget also provides a one-time increase of $3.9 million in Proposition 98 funding to address student basic needs, including housing and food insecurity.

- *Veterans Resources* – An ongoing increase of $5 million in Proposition 98 funding for the establishment or enhancement of veterans resource centers at community colleges. In addition, the 2019-20 Budget also provides an increase of $2.25 million in Proposition 98 settle-up funds to expand veterans resource centers at specified colleges.

- *Workforce Development* – A one-time increase of $4.75 million in one-time, Proposition 98 settle-up funds to support the improvement of workforce development programs at specified community colleges.

- *Proposition 51* – a total allocation of $535.3 million in Proposition 51 bond funds for critical fire and life safety projects at campuses statewide.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax levied by the Counties for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The District was established in 1926 and serves most of the County of San Bernardino, California and a small portion of the County of Riverside, California. The District maintains two community colleges, Crafton Hills College and San Bernardino Valley College, located in Yucaipa and San Bernardino, California, respectively, which provide collegiate level instruction across a wide spectrum of subjects in grades 13 and 14. The District has approximately 27,000 full and part-time students and serves a resident population of approximately 1.75 million. The District has a 2019-20 total assessed valuation of $75,660,879,653.

Accreditation

General. The ACCJC is authorized by the federal Department of Education as one of the seven regional associations that accredit public and private schools, colleges and universities in the United States. The ACCJC is the recognized accrediting association for the western region, which includes the States of California and Hawaii, as well as the territories of Guam, American Samoa and Northern Marianas Islands. The ACCJC reviews community colleges on rolling, six year cycles.

Accreditation by the ACCJC is voluntary and designed to evaluate and enforce standards of educational quality and institutional effectiveness. Accreditation is also a form of peer review. ACCJC standards and criteria are developed and implemented by representatives from the member institutions. Although the ACCJC is not a governmental agency, and has no direct authority over the operations of the District, it is responsible for determining whether the College receives or retains accreditation. For public colleges, the loss of accreditation would result in the loss of federal funding and most state funding, including student financial aid.

To obtain accreditation, institutions must first satisfy minimum ACCJC eligibility requirements (the "Eligibility Requirements"), of which there are 21 covering a wide range of areas. Accredited institutions must continually meet these Eligibility Requirements. As part of the institutional self-study prepared during each accreditation cycle, compliance with certain of the Eligibility Requirements must be specifically demonstrated, while the balance may be addressed as part of the institution's response to related Accreditation Standards (defined herein).

As part of each accrediting cycle, the ACCJC requires member institutions to demonstrate compliance with its accreditation standards (the "Accreditation Standards"). There are four main standards: (i) Mission, Academic Quality and Institutional Effectiveness, and Integrity, (ii) Student Learning Programs and Support Services, (iii) Institutional Resources, and (iv) Leadership and Governance. Each Accreditation Standard is subdivided in several components, for a total of 127 separate standards.

In addition, to maintain accreditation, institutions must also be in compliance with the ACCJC's policies at all times during the six-year review cycle. In support of its Policy on Monitoring Institutional Performance, the ACCJC applies a set of annual monitoring and evaluation approaches that assess an institution's continued compliance with the ACCJC Standards, and that take into account institutional strength and stability. Such annual monitoring incudes, but is not limited to headcount enrollment data and the collection and analysis of key data and indicators of fiscal stewardship and stability. In furtherance of this policy, institutions are required to submit an Annual Financial Report ("AFR") including their annual audited financial statements to the ACCJC. The purpose of the AFR is to monitor the fiscal condition of the intuitions in accordance with federal requirements and to enable the ACCJC to identify institutions that are at potential financial risk. The ACCJC has developed a Composite Financial Index ("CFI") to assess institutional finances. Based on their analysis, institutions are assigned one of three levels of financial risk. Institutions in Category N (Normal Monitoring) are not subject to additional monitoring. Institutions in Category M (Enhanced Monitoring) will have enhanced monitoring of their financial condition in the current and subsequent reporting years to assess whether financial conditions improve or deteriorate. Institutions assigned as Category R (Referred) undergo a more comprehensive analysis of their financial condition by the ACCJC's financial reviewers.

If the ACCJC determines that a community college is out of compliance with Accreditation Standards, Eligibility Requirements of Policies, it may issue several levels of sanctions, including a warning, indicating the ACCJC's concern regarding identified deficiencies. If a college significantly deviates from Accreditation Standards, Eligibility Requirements or Policies, it may also be placed on "probation" status. Finally, if a college continues to be significantly out of compliance with Accreditation Standards, Eligibility Requirements of Policies, or fails to properly respond to ACCJC recommendations with respect to identified deficiencies, the ACCJC may place the affected college on a "show cause" status, requiring the affected institution to show cause why its accreditation should not be withdrawn at the end of the stated period. For a community college district issued such show cause status, ACCJC policies require the development of a closure plan for the affected college, to become operative in the event such district is unable to remedy the identified deficiencies. The requirement to develop a closure plan ensures that all those affected by the potential loss of accreditation are informed as early as possible, and that the affected district has a contingency plan for the completion of programs by students, the securing of confidential student and employee records, and the disposition of assets of the affected college. The ACCJC's policy, however, does not address State or federal laws that could bear on the ability of a community college district to close a college. Therefore, the development of a closure plan, as required by the ACCJC, should not be seen as an affirmative election to close an affected college.

Recent Accreditation History of the District. By letters dated February 6, 2015, the District was notified by the ACCJC that the accredited status of both Crafton Hills College and San Bernardino Valley College were being placed on "warning" status, the least severe level of sanctions. In so doing, the ACCJC found that Crafton Hills College was deficient in meeting certain portions of the following accreditation standards: (i) Standard II.A (Student Learning Programs and Services – Instructional Programs); (ii) Standard II.B (Student Learning Programs and Services – Library and Learning Support Services); (iii) Standard II.C (Student Learning Programs and Services – Student Support Services) and (iv) Eligibility Requirement 10 (Student Learning and Achievement). In addition, the ACCJC found that the San Bernardino Valley College was deficient in meeting certain portions the following accreditation standards: (i) Standard I.B (Mission, Academic Quality and Institutional Effectiveness, and Integrity – Assuring Academic Quality and Institutional Effectiveness); (ii) Standard II.A (Student Learning Programs and Support Services – Instructional Programs); and (iii) Eligibility Requirement 5 (Administrative Capacity) and 20 (Integrity in Communication with the Public). The ACCJC also found that the District was deficient in meeting certain portions of the following accreditation standards: (i) Standard III.A (Resources – Human Resources); (ii) Standard III.D (Resources – Financial Resources); (iii) Standard IV.A (Leadership and Governance – Decision-Making Roles and Processes); and (iv) Standard IV.B (Leadership and Governance – Chief Executive Officer).

The ACCJC advanced four major recommendations for Crafton Hills College, one major recommendation for San Bernardino Valley College and three recommendations for the District to address in the areas detailed above. The ACCJC also advanced two additional recommendations for Crafton Hills College and one additional recommendation for the District to improve institutional effectiveness. In addition the ACCJC also made one recommendation to resolve deficiencies relating to a third party comment noting that San Bernardino Valley College's President holds a single higher education degree, which is from an institution that was not accredited by a recognized U.S. accrediting agency at the time the degree was conferred.

By letters dated July 8, 2016, the ACCJC notified the District that it had removed both San Bernardino Valley College and Crafton Hills College from Warning status and reaffirmed the accreditation of both colleges. The ACCJC based its actions on follow up reports submitted by both colleges and site visits conducted in April 2016.

Additional information regarding each of the College's accreditation is available at http://www.sbccd.org/About_the_District/Chancellor/Accreditation. However, the information presented on such website is not incorporated herein by any reference.

Administration

The governing board of the District is called the Board of Trustees (the "Board"). The Board includes seven voting members elected by the voters of the District (the "Trustees"). The Trustees serve four-year terms. Elections for Trustee positions to the Board are held every two years, alternating between three and four available positions. Current Trustees, together with their office and the date their term expires, are listed below:

Board Member	Office	Term Expires
John Longville	President	November 2020
Dr. Anne L. Viricel	Vice President	November 2020
Joseph Williams	Clerk	November 2022
Dr. Stephanie Houston	Trustee	November 2022
Gloria Macías Harrison	Trustee	November 2020
Frank Reyes	Trustee	November 2020
Dr. Donald L. Singer	Trustee	November 2022

The Chancellor of the District is appointed by the Board and reports to the Board. The Chancellor is responsible for management of the District's day-to-day operations and supervises the work of other key administrators.

Brief biographies of the Chancellor and the Executive Vice Chancellor follow:

Bruce Baron, Chancellor. With a career in education administration spanning 40 years, Bruce Baron has provided leadership in higher education both at the university level and the community college level. For eleven years he served in the City University of New York as Director of Finance, Assistant Vice President and Vice President for Administration. He has also served as Vice President for Administrative Services at Los Angeles Southwest College, Victor Valley Community College and Los Angeles City College, before joining the District in July 2009 as Vice Chancellor for Business and Fiscal Services. In December 2009, he was named the Interim Chancellor and on March 21, 2011, he was appointed as Chancellor by the Board of Trustees.

Mr. Baron holds a Bachelor's Degree in communications from Queens College and a Master's Degree in adult and community education from The City College of New York.

Jose F. Torres, Executive Vice Chancellor. Mr. Torres has served as the Executive Vice Chancellor since April 2018. From November 2014 to April 2018, he served as Vice Chancellor of Business and Fiscal Services and from June 2013 to November 2014 as the District's Director of Fiscal Services. Prior thereto, Mr. Torres served six years as the Vice President of Financial Services for the County of San Bernardino Housing Authority, and seven years as Finance Manager for the Don Bosco Technical Institute in Rosemead.

Mr. Torres holds a Bachelor of Science in Business Administration/Accounting from the California Polytechnic Institute in Pomona, and a Master's Degree in Public Administration from California State University in San Bernardino.

Labor Relations

The District currently employs 265 full-time academic professionals, 423 full-time classified employees, and 102 managerial employees. In addition, the District employs 962 part-time faculty and 1,001 part-time staff. These employees, except supervisors, management and some part-time employees, are represented by two bargaining units as noted below.

BARGAINING UNITS
San Bernardino Community College District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
California School Employees Association	408	June 30, 2020
California Teachers Association	1,227	June 30, 2020

Source: San Bernardino Community College District.

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See also "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance – 2019-20 Budget" herein.

The District's contributions to STRS were $2,249,776 in fiscal year 2012-13, $2,557,524 in fiscal year 2013-14, $2,994,123 in fiscal year 2014-15, $3,743,259 in fiscal year 2015-16, $4,475,608 in fiscal year 2016-17, $5,387,059 in fiscal year 2017-18 and $6,665,489 in fiscal year 2018-19 (unaudited). The District has budgeted $6,778,766 for its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See also "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Assistance – 2019-20 Budget" herein.

The District's contributions to PERS were $2,410,369 in fiscal year 2012-13, $2,477,411 in fiscal year 2013-14, $2,897,702 in fiscal year 2014-15, $3,255,332 in fiscal year 2015-16, $3,710,189 in fiscal year 2016-17, $4,654,746 in fiscal year 2017-18 and $5,568,919 in fiscal year 2018-19 (unaudited). The District has budgeted $6,504,314 for its contribution to PERS for fiscal year 2019-20.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2010-11 through 2017-18

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--(4)	--(4)
2014-15	73,325	56,814	16,511	--(4)	--(4)
2015-16	77,544	55,785	21,759	--(4)	--(4)
2016-17	84,416	60,865	23,551	--(4)	--(4)
2017-18(5)	92,071	64,846	27,225	--(4)	--(4)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the District's proportionate shares of the STRS and PERS net pension liabilities were $61,286,649 and $50,863,523, respectively. For more information, see "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" attached hereto.

Pension Rate Stabilization Program. In fiscal year 2016-17, the District became a member of the PARS Pension Rate Stabilization Program (the "PRSP"). Through the PRSP, community college districts can manage their pension costs through an IRS Section 115 irrevocable trust designed to pre-fund pension costs and offset net pension liabilities. Districts are allowed to set aside funds, separate and apart from STRS and PERS contributions, in a tax-exempt prefunding vehicle to mitigate long-term contribution rate volatility. Such funds are protected from diversion to other uses and may be used to offset contribution rate increases or as an emergency source of funds for pension related costs in the event district revenues are impaired by economic or other conditions. The District made an initial deposit of $5,000,000 into the PRSP trust in fiscal year 2017-18 and made additional deposits of $74 million in fiscal years 2018-19 and 2019-20 from the receipt of the Auction Proceeds. As of September 30, 2019, the value of assets in the PRSP Trust was $90,677,023.61.

Accumulation Program for Part-Time and Limited Service Employees (APPLE) Plan. The District contributes to the Accumulation Program for Part-Time and Limited-Service Employees ("APPLE") plan. All employees who do not participate in another retirement plan provided by the District are eligible to participate in the APPLE plan, a multi-employer defined contribution retirement program. The District's contributions for employees covered by the APPLE plan for the years ended June 30, 2019, 2018, 2017, 2016, and 2015, were $103,194 (unaudited), $143,612, $264,119, $68,460, and $63,538, 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.

Post-Employment Health Care Benefits

Plan Description. The District currently provides retiree medical coverage to eligible academic and classified employees up to the age of 65 (the "Benefits"). Eligibility requirements vary by employee classification. All participants must have a minimum service of 10 years and be eligible to retire under STRS or PERS. Academic and classified employees must be at least 60 years of age, or 55 for classified employees with 20 years of service. The District pays for 100 percent of the premium for retiree coverage, and the retiree pays for the cost of dependent coverage. Membership of the District's Other Post-Employment Benefits Plan (the "Plan") consists of 27 retirees and beneficiaries currently receiving benefits, and 659 active plan members.

Funding Policy. The contribution requirements of the Plan members and the District are established and amended by the District and the District's bargaining units on an annual basis. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and bargaining units. For fiscal year 2013-14, the District contributed $4,384,127 to the Plan, of which $447,763 was used for current premiums and $3,936,364 was contributed to the Trust (defined below). For fiscal year 2014-15, the District contributed $374,226 to the Plan, all of which was used for current premiums. For fiscal year 2015-16, the District contributed $304,023 to the Plan, all of which was used for current premiums. For fiscal year 2016-17, the District contributed $386,897 to the Plan, all of which was used for current premiums. For fiscal year 2017-18, the District contributed $295,696 to the Plan, all of which was used for current premiums. For fiscal year 2018-19, the District contributed $287,888 to the Plan, all of which was used for current premiums.

For fiscal year 2019-20, the District has budgeted a contribution of $250,200 to the Plan, all of which is expected to be used for current premiums.

In February 2007, the District established an irrevocable trust (the "Trust") with Benefit Trust Company, into which the District has transferred $5,528,364. As of April 30, 2019, the value of assets in the Trust was $8,695,078.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, "GASB 74" and "GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the Net OPEB Liability and a sensitivity analysis of the Net OPEB Liability to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The Fiduciary Net Position measures the value of trust assets, adjusted for payees and receivables.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016, and was first recognized in the District's financial statements for fiscal year 2016-17. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18. The District's audited financial statements for fiscal year 2017-18, reported, as of June 30, 2017, the District had a Total OPEB Liability of $9,299,047, a Fiduciary Net Position of $8,035,853 and a Net OPEB Liability of $1,263,194. See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Actuarial Valuation. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed above) require biennial actuarial valuations for all plans. The actuarial study, dated as of April 28, 2019, (the "Study"), concluded that, as of June 30, 2017, the Total OPEB Liability (the "TOL") with respect to such benefits, was $9,299,047, the Net OPEB Liability (the "NOL") was $1,263,194, and the preliminary Total OPEB Expense for fiscal year ending June 30, 2019 (the "TOE") to be $832,112. The District has a Fiduciary Net Position (the "FNP") of $8,035,853. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees' past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District's NOL, with deferred recognition provided for certain items. For more information regarding the District's other post-employment benefit liability, see See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Medicare Premium Payment Program. The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRS Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the STRS Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB statements No. 74 and No. 75. The District's proportionate share of the net MPP Program liability as of June 30, 2018 was $504,754. See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

Risk Management

Insurance Coverage. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2018, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation. For fiscal year 2017-18, the District participated in the Schools Alliance for Workers' Compensation Excess (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self-insured for the first $500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

See also "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. GASB has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective for fiscal periods beginning after June 15, 2001 (Phase I) for any governmental agency with annual revenues in excess of $100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred. See also "—Comparative Financial Statements" herein.

General Fund Budgeting

The following table reflects the District's general fund budgets for fiscal years 2015-16 through 2019-20, and ending results for fiscal years 2014-15 through 2018-19.

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GENERAL FUND BUDGETING[1][2]
Fiscal Years 2015-16 through 2019-20
San Bernardino Community College District

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual[3]	Budget
REVENUES:									
Federal	$6,179,608	$4,597,680	$3,769,839	$3,011,376	$2,457,245	$1,930,092	$2,578,673	$1,007,228	$3,128,751
State	91,100,221	87,502,201	109,659,626	95,494,201	105,195,500	83,674,496	106,765,559	97,473,824	106,740,304
Local	25,845,492	29,901,161	28,174,950	34,713,276	35,476,028	38,063,694	38,691,378	40,340,834	48,990,061
TOTAL REVENUES	123,125,321	122,001,042	141,604,415	133,218,853	143,128,773	123,668,282	148,035,610	138,821,886	158,859,116
EXPENDITURES:									
Academic Salaries	40,057,147	40,213,257	42,290,491	41,552,042	42,863,770	43,317,517	48,683,468	47,809,199	53,231,186
Classified Salaries	25,410,337	25,395,204	26,968,712	26,205,589	29,571,786	29,354,431	34,707,818	34,808,352	37,075,610
Employee Benefits	19,695,999	19,279,058	22,088,471	23,763,314	24,251,366	26,680,874	27,348,440	26,281,612	30,122,039
Books and Supplies	2,496,023	1,970,957	2,757,187	2,371,073	3,027,109	2,168,257	3,419,179	2,527,270	4,302,584
Services and Other Operating Expenditures	22,943,640	14,971,747	42,518,573	27,378,450	39,776,153	15,683,091	34,232,228	20,013,799	38,467,933
Capital Outlay	4,911,835	4,542,294	4,732,418	3,968,773	4,490,018	4,042,955	4,233,133	6,871,078	4,193,119
TOTAL EXPENDITURES	115,514,981	106,372,517	141,355,852	125,239,241	143,980,202	121,247,125	152,624,266	138,311,310	167,392,471
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	7,610,340	15,628,525	248,563	7,979,612	(851,429)	2,421,157	(4,588,656)	510,576	(8,533,355)
OTHER FINANCING SOURCES (USES)	92,000	4,846	172,000	196,241	210,000	9,160,781	11,591,054	16,900,952	16,295,182
OTHER OUTGO	8,101,924	13,844,820	3,627,211	2,714,047	2,035,196	11,260,506	11,321,136	11,998,360	13,062,251
NET INCREASE (DECREASE) IN FUND BALANCES	(399,584)	1,788,551	(3,206,648)	5,461,806	(2,676,625)	321,432	(4,318,738)	5,413,168	(5,300,424)
BEGINNING FUND BALANCE	16,218,594	16,218,594	18,332,396	18,332,396	23,579,534	23,579,534	19,259,684	19,259,684	31,120,940
Prior Year Adjustments	--	325,251	--	(214,668)	--	(4,641,282)[4]	--	6,448,089[4]	--
ADJUSTED BEGINNING FUND BALANCE	--	16,543,845	--	18,117,728	--	18,938,252	--	25,707,773	--
ENDING FUND BALANCE	$15,819,010	$18,332,396	$15,125,748	$23,579,534	$20,902,909	$19,259,684	$14,940,946	$31,120,940	$25,820,517

(1) Reflects combined unrestricted and restricted general funds.
(2) From the District's CCFS-311 Reports filed with the Chancellor's Office. The CCFS 311 Report for fiscal year 2019-20 has not been certified. Budgeted amounts for fiscal years 2015-16 through 2019-20 and unaudited ending results for fiscal years 2015-16 through 2018-19 in object-oriented format provided for comparison. For audited results of fiscal years 2011-12 through 2015-16 in the revised reporting format, see "– Comparative Financial Statements" herein.
(3) Represents unaudited actuals.
(4) Adjustment includes a $4.6 million audit accrual for expected repayment of apportionment revenues received. For fiscal year 2017-18, the District's auditor deemed the prior year's $4.6 million accrual unnecessary and reversed the adjustment. In addition, in fiscal year 2017-18, there was an adjustment made due the close out of the District's bookstore.
Source: San Bernardino Community College District.

Comparative Financial Statements

The following table reflects the District's audited revenues, expenditures and changes in net assets in the District's primary government funds from fiscal years 2013-14 through 2017-18.

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SUMMARY OF AUDITED REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEARS 2012-13 THROUGH 2016-17
San Bernardino Community College District

	2013-14 Audited	2014-15 Audited	2015-16 Audited	2016-17 Audited	2017-18 Audited
OPERATING REVENUES					
Tuition and fees (gross)	$19,090,967	$19,990,165	$19,679,609	$19,670,664	$21,026,371
Less: Scholarship discounts and allowances	(12,869,287)	(13,445,022)	(13,258,131)	(12,581,348)	(12,903,371)
Net tuition and fees	6,221,680	6,545,143	6,421,478	7,089,316	8,123,000
Grants and Contracts, Noncapital					
Federal	--[1]	--[1]	--[1]	--[1]	2,372,766
State	--[1]	--[1]	--[1]	--[1]	30,239,208
Local	--[1]	--[1]	--[1]	--[1]	2,406,378
Net grants and contracts, noncapital	--	--	--	--	35,018,352
Auxiliary enterprises sales/internal service sales and charges	4,316,428	--	--	--	--
Bookstore	--	3,845,397	3,906,680	3,906,025	2,799,608
Cafeteria	--	703,490	630,607	564,508	589,342
TOTAL OPERATING REVENUES	10,538,108	11,094,030	10,958,765	11,559,849	46,530,302
OPERATING EXPENSES					
Salaries	60,689,582	65,386,639	69,985,148	72,226,990	75,264,689
Employee benefits	20,047,878	20,622,531	25,956,181	24,659,151	34,412,380
Supplies, materials and other operating expenses and services	25,765,016	24,944,383	25,659,842	40,701,086	28,588,385
Financial aid	27,397,075	27,424,651	28,331,807	23,877,053	25,630,531
Equipment, maintenance, and repairs	1,091,345	2,888,010	9,994,839	4,954,220	1,767,834
Depreciation	15,312,264	15,158,868	15,309,710	15,523,888	17,087,085
TOTAL OPERATING EXPENSES	150,303,160	156,425,082	175,237,527	181,942,388	182,750,904
OPERATING INCOME (LOSS)	(139,765,052)	(145,331,052)	(164,278,762)	(170,382,539)	(136,220,602)
NONOPERATING REVENUES (EXPENSES)					
State apportionments, noncapital	45,921,621	55,259,312	59,827,136	51,417,428	57,176,853
Local property taxes	18,795,862	18,163,906	21,681,347	26,355,145	28,211,597
Taxes levied for other specific purposes	25,148,129	24,426,035	26,620,823	16,258,114	25,571,878
State revenue – other	3,031,252	4,101,136	3,519,219	12,709,018	3,505,715
Federal grants	29,552,508	29,828,773	29,508,162	23,332,346	21,244,822
State grants	12,007,694	16,721,550	31,188,340	40,878,174	3,066,397
Interest and investment income – Non Capital	312,019	236,526	437,580	828,798	2,600,042
Other nonoperating revenue	9,206,801	7,114,899	9,706,637	6,605,104	160,904,473
Investment Income on capital asset-related debt	821,498	88,153	86,623	161,001	291,323
Transfer to fiduciary fund	--	(60,800)	(256,000)	(195,000)	(75,225,000)
Transfer from fiduciary fund			1,131,015	881,770	850,000
Interest expense	(31,191,979)	(31,269,048)	(31,125,122)	(18,868,098)	(26,547,495)
NET NONOPERATING REVENUES	113,605,405	124,610,442	152,325,760	160,363,800	201,650,605
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	(26,159,647)	(20,720,610)	(11,953,002)	(10,018,739)	65,430,003
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES					
State apportionments, capital	450,583	403,706	211,475	167,129	988,385
Local revenue, capital	1,507,698	1,266,439	1,801,499	1,603,973	1,777,334
TOTAL OTHER REVENUES, EXPENSES, GAINS, AND LOSSES	1,958,281	1,670,145	2,012,974	1,771,102	2,765,719
INCREASE (DECREASE) IN NET POSITION	(24,201,366)	(19,050,465)	(9,940,028)	(8,247,637)	68,195,722
NET POSITION, BEGINNING OF YEAR	186,946,710	160,061,110	70,364,577	60,424,549	52,176,912
Net Position, as Restated	184,262,476[2]	89,415,042[3]	70,364,577	60,424,549	45,892,893[4]
NET POSITION, END OF YEAR	$160,061,110	$70,364,577	$60,424,549	$52,176,912	$114,088,615

[1] For fiscal years 2013-14 through 2016-17, the District's Auditor classified Federal, State and Local grants and contracts as non-operating revenue.
[2] Reflects a $2,669,609 decrease in the beginning net position to reflect the implementation of GASB. 65. The beginning net position was also restated for the correction of certain errors. The Supplemental Early Retirement Plan liability and the Other Postemployment Benefit Plan obligations were not stated fairly. In addition, the District's 2013 Refunding Bonds were not properly accounted for in the financial statements.
[3] The District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in fiscal year 2014-15. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $69,462,285. Also, during fiscal year 2014-15, the District created the KVCR Education Foundation Fund, a fiduciary fund, which was previously included in KVCR Special Revenue Fund within the primary government fund, which resulted in a downward adjustment to the net position of $1,183,784.
[4] The District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions in fiscal year 2017-18. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the primary government fund, which resulted in a downward adjustment to the net position of $6,284,019.
Source: San Bernardino Community College District.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt obligations.

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, is shown below:

	Beginning Balance July 1, 2017	Additions	Deductions	Ending Balance June 30, 2018
Bonds Payable				
Election 2002 Series D	$8,784,260	$682,878	--	$9,467,138
Election 2002 Series E	15,000,000	--	--	15,000,000
Subtotal Election 2002	23,784,260	682,878	--	24,467,138
2005 GO Refunding Bonds	8,452,198	1,044,692	--	9,496,890
Election 2008 Series A	4,165,000	--	$1,830,000	2,335,000
Election 2008 Series B	121,200,193	6,012,869	1,540,000	125,673,062
Election 2008 Series C	45,210,000	--	--	45,210,000
Election 2008 Series D	36,861,824	393,015	1,200,000	36,054,839
Subtotal Election 2008	207,437,017	6,405,884	4,570,000	209,272,901
2013 GO Refunding Bonds, Series A	191,940,000	--	1,285,000	190,655,000
2013 GO Refunding Bonds, Series B	25,695,000	--	2,190,000	23,505,000
2015 GO Refunding Bonds,	55,375,000	--	3,180,000	52,195,000
2017 GO Refunding Bonds, Series A	--	14,145,000	--	14,145,000
2017 GO Refunding Bonds, Series B	--	32,070,000	--	32,070,000
Premium on debt	35,595,720	5,147,554	2,801,000	37,942,265
Total Bonds Payable	548,279,195	59,496,008	14,026,009	593,749,194
Other Liabilities				
Community service grant payable	109,374	--	109,374	--
Compensated absences	3,346,683	--	91,210	3,255,473
Claims liabilities	3,078,245	96,538	--	3,174,783
Aggregate net OPEB liability	1,755,126	1,212,116	1,199,294	1,767,948
Aggregate net pension obligation	76,351,759	35,798,413	--	112,150,172
Total Other Liabilities	84,641,187	37,107,067	1,399,878	120,348,376
Total Long-Term Obligations	$632,920,382	$96,603,075	$15,425,887	$714,097,570

Source: San Bernardino Community College District.

General Obligation Bonds. The District received authorization at an election held on November 5, 2002 (the "2002 Authorization") at which the requisite vote of at least fifty-five percent of the persons voting on the proposition voted to authorize the issuance of $190,000,000 principal amount of general obligation bonds of the District. On May 15, 2003, the District issued its Election of 2002 General Obligation Bonds, Series A in the aggregate principal amount of $50,000,000 (the "2002 Series A Bonds"). On February 26, 2004, the District issued its Election of 2002 General Obligation Bonds, Series B in the aggregate principal amount of $20,000,000 (the "2002 Series B Bonds"). On April 7, 2005, the District issued its 2005 General Obligation Refunding Bonds in the aggregate principal amount of $56,562,550.30 (the "2005 Refunding Bonds"), the proceeds of which were used to advance refund a portion of the 2002 Series A Bonds and 2002 Series B Bonds. On September 13, 2006, the District issued its Election of 2002 General Obligation Bonds, 2002 Series C in an aggregate principal amount of $100,000,000 (the "2002 Series C Bonds"). On June 18, 2009 the District issued its Election of 2002 General Obligation Bonds, Series D in the aggregate principal amount of $4,999,796.90 (the "2002 Series D Bonds") and its Election of 2002 Taxable General Obligation Bonds (Build America Bonds–Direct Payment to District) Series E in the aggregate principal amount of $15,000,000 (the "2002 Series E Bonds"). On May 2, 2013, the District concurrently issued its 2013 General Obligation Refunding Bonds, Series A (Tax-Exempt) in the aggregate principal amount of $198,570,000 (the "2013 Refunding Bonds, Series A") and its 2013 General Obligation Refunding Bonds, Series B (Federally Taxable) in the aggregate principal amount of $32,460,000 (the "2013 Refunding Bonds, Series B"), the proceeds of which were used to advance refund portions of the District's 2002 Series C Bonds and 2008 Series A Bonds. On October 14, 2015, the District issued its 2015 General Obligation Refunding Bonds in an aggregate principal amount of $55,975,000 (the "2015 Refunding Bonds"), the proceeds of which were utilized to currently refund portions of the District's outstanding 2005 Refunding Bonds and advance refund portions of the District's outstanding 2002 Series C Bonds. On December 28, 2017, the District issued its 2017 General Obligation Refunding Bonds, Series A (2019 Crossover) in an aggregate principal amount of $14,145,000 (the "2017 Refunding Bonds, Series A"), the proceeds of which were utilized to advance refund portions of the District's outstanding 2002 Series E Bonds.

The District received a second authorization at an election held on February 5, 2008 (the "2008 Authorization") at which the requisite vote of at least fifty-five percent of the persons voting on the proposition voted to authorize the issuance of $500,000,000 principal amount of General Obligation Bonds of the District. On December 30, 2008, the District issued its Election of 2008 General Obligation Bonds, Series A Bonds in an aggregate principal amount of $140,000,000 (the "2008 Series A Bonds"). On June 18, 2009, the District issued its Election of 2008 General Obligation Bonds, Series B in the aggregate principal amount of $73,102,389.40 (the "2008 Series B Bonds") and its Election of 2008 Taxable General Obligation Bonds, Series C (Build America Bonds-Direct Payment to District) in the aggregate principal amount of $45,210,000.00 (the "2008 Series C Bonds"). On October 14, 2015, the District issued its Election of 2008 General Obligation Bonds, Series D in an aggregate principal amount of $37,536,960.30 (the "2008 Series D Bonds"). On December 28, 2017, the District issued its 2017 General Obligation Refunding Bonds, Series B (2024 Crossover) in an aggregate principal amount of $32,070,000 (the "2017 Refunding Bonds, Series B"), the proceeds of which were utilized to advance refund portions of the District's outstanding 2008 Series B Bonds. There is currently $204,150,650.30 of the 2008 Authorization remaining which is authorized but unissued.

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The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt, including the Bonds (and assuming no optional redemptions):

GENERAL OBLIGATION BONDED DEBT SERVICE
San Bernardino Community College District

Period Ending August 1	2005 Refunding Bonds	2002 Series D Bonds	2002 Series E Bonds[3]	2008 Series B Bonds[2][3]	2008 Series C Bonds	2013 Refunding Bonds, Series A[1]	2013 Refunding Bonds, Series B	Series D Bonds[1]	2015 Refunding Bonds[1]	2017 Refunding Bonds, Series A	2017 Refunding Bonds, Series B[3]	Series A Bonds	Series A-1 Bonds	2019 Refunding Bonds	Total Annual Debt Service
2020	--	--	$1,144,500.00	$42,010,037.50	$3,387,103.00	$13,248,800.00	$6,798,037.50	$1,373,250.00	$2,609,750.00	$583,550.00	$1,355,700.00				
2021	$1,635,000.00	--	1,144,500.00	2,175,037.50	3,387,103.00	13,879,300.00	5,410,387.50	1,428,250.00	2,609,750.00	583,550.00	1,355,700.00				
2022	7,395,000.00	--	1,144,500.00	2,350,037.50	3,387,103.00	14,451,050.00	--	1,593,250.00	2,609,750.00	583,550.00	1,355,700.00				
2023	7,655,000.00	--	1,144,500.00	2,535,037.50	3,387,103.00	15,134,800.00	--	1,658,250.00	2,609,750.00	583,550.00	1,355,700.00				
2024	--	$140,000.00	1,144,500.00	2,720,037.50	3,387,103.00	23,777,800.00	--	1,733,250.00	2,609,750.00	583,550.00	1,355,700.00				
2025	--	250,000.00	1,144,500.00	2,920,037.50	3,387,103.00	24,794,550.00	--	1,811,500.00	2,609,750.00	583,550.00	1,585,700.00				
2026	--	360,000.00	1,144,500.00	3,120,037.50	3,387,103.00	25,858,800.00	--	1,890,750.00	2,609,750.00	583,550.00	1,574,200.00				
2027	--	470,000.00	1,144,500.00	3,335,037.50	3,387,103.00	26,963,550.00	--	1,975,750.00	2,609,750.00	583,550.00	1,567,700.00				
2028	--	595,000.00	1,144,500.00	3,560,037.50	3,387,103.00	15,368,150.00	--	2,175,750.00	13,914,750.00	583,550.00	1,580,950.00				
2029	--	730,000.00	1,144,500.00	3,790,037.50	3,387,103.00	16,005,900.00	--	2,270,750.00	14,459,500.00	583,550.00	1,572,950.00				
2030	--	870,000.00	1,144,500.00	4,025,037.50	3,387,103.00	16,669,400.00	--	2,370,750.00	15,028,750.00	583,550.00	1,564,700.00				
2031	--	1,020,000.00	1,144,500.00	4,279,922.30	3,387,103.00	17,353,400.00	--	2,470,750.00	15,613,500.00	583,550.00	1,551,200.00				
2032	--	11,645,000.00	8,644,500.00	4,536,993.10	3,387,103.00	18,077,000.00	--	2,570,750.00	--	7,698,550.00	1,267,700.00				
2033	--	12,810,000.00	8,072,250.00	13,578,104.70	3,387,103.00	10,051,600.00	--	2,685,750.00	--	7,311,200.00	7,897,700.00				
2034	--	--	--	25,258,743.76	3,387,103.00	--	--	2,230,750.00	--	--	24,627,200.00				
2035	--	--	--	26,358,046.50	3,387,103.00	--	--	2,350,750.00	--	--	--				
2036	--	--	--	27,501,588.75	3,387,103.00	--	--	2,480,750.00	--	--	--				
2037	--	--	--	28,686,800.85	3,387,103.00	--	--	2,615,750.00	--	--	--				
2038	--	--	--	29,925,000.00	3,387,103.00	--	--	2,755,750.00	--	--	--				
2039	--	--	--	--	34,597,103.00	--	--	2,905,750.00	--	--	--				
2040	--	--	--	34,051,944.40	1,068,200.00	--	--	3,135,750.00	--	--	--				
2041	--	--	--	35,444,195.00	1,068,200.00	--	--	3,300,750.00	--	--	--				
2042	--	--	--	36,888,055.20	1,068,200.00	--	--	3,474,250.00	--	--	--				
2043	--	--	--	38,390,598.75	1,068,200.00	--	--	3,654,000.00	--	--	--				
2044	--	--	--	25,955,000.00	15,068,200.00	--	--	3,844,000.00	--	--	--				
2045	--	--	--	42,275,862.65	--	--	--	4,078,000.00	--	--	--				
2046	--	--	--	43,968,180.00	--	--	--	4,283,000.00	--	--	--				
2047	--	--	--	45,722,935.30	--	--	--	4,509,500.00	--	--	--				
2048	--	--	--	47,555,000.00	--	--	--	4,735,500.00	--	--	--				
Total	$16,685,000.00	$28,890,000.00	$30,450,750.00	$582,917,383.76	$118,293,060.00	$251,634,100.00	$12,208,425.00	$78,363,000.00	$79,894,500.00	$22,012,350.00	$51,568,500.00				

(1) Includes debt service on the Refunded Bonds expected to be refinanced with proceeds of the Refunding Bonds

(2) Includes debt service on bonds refinanced with proceeds of the 2017 Refunding Bonds, Series B. Prior to August 1, 2024 (the "2024 Crossover Date"), the 2008 Series B Bonds refunded with proceeds of the 2017 Refunding Bonds, Series B will continue to be obligations of the District payable solely from *ad valorem* property taxes.

(3) The 2002 Series E Bonds and 2008 Series B Bonds are designated as "Build America Bonds" pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The District expects to receive a cash subsidy payment from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each semi-annual interest payment date (each a "BAB Subsidy"). This table reflects gross debt service payments with respect to the 2002 Series E Bonds and 2008 Series C Bonds and does not reflect the anticipated receipt of the BAB Subsidy. The BAB Subsidy is subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the BAB Subsidy by 5.9% through the end of the current federal fiscal year (September 30, 2020). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect the BAB Subsidies currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the Boards of Supervisors of the Counties are empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on the 2002 Series E Bonds and 2008 Series B Bonds. The County will deposit any cash BAB Subsidy received into the respective debt service fund for the 2002 Series E Bonds and 2008 Series B Bonds.

(3) Prior to the 2024 Crossover Date, the interest on the 2017 Refunding Bonds, Series B is secured by and payable solely from the proceeds thereof on deposit in their corresponding sub-account within the escrow fund established therefore.

TAX MATTERS

Series A Bonds

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Series A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series A Bond (the first price at which a substantial amount of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Series A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Series A Bond Owner will increase the Series A Bond Owner's basis in the applicable Series A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Series A Bond is excluded from the gross income of such owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the Series A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series A Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series A Bonds to assure that interest (and original issue discount) on the Series A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Series A Bond Owner's original basis for determining loss on sale or exchange of the applicable Series A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Series A Bond premium, which must be amortized under Section 171 of the Code; such amortizable Series A Bond premium reduces the Series A Bond Owner's basis in the applicable Series A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series A Bond premium may result in a Series A Bond Owner realizing a taxable gain when a Series A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series A Bond to the Owner. Purchasers of the Series A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series A Bonds might be affected as a result of such an audit of the Series A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the

IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series A Bonds to the extent that it adversely affects the exclusion from gross income of interest (or original issue discount) on the Series A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES A BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Series A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Series A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Series A Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Series A Bonds and the accrual or receipt of interest (and original issue discount) on the Series A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series A Bonds.

A copy of the proposed form of opinion of Bond Counsel for the Series A Bonds is attached hereto as APPENDIX A.

Taxable Bonds

In the opinion of Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest (and original issue discount) on the Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Taxable Bond (the first price at which a substantial amount of the Taxable Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Taxable Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Taxable Bond will increase the Owner's basis in the Taxable Bond. Owners of Taxable Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Taxable Bonds.

The amount by which a Taxable Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Taxable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Taxable Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Taxable Bond Owner's basis in the applicable Taxable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Taxable Bond premium may result in the Owner of a Taxable Bond realizing a taxable gain when a Taxable Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Taxable Bond to the Owner. The Owners of the Taxable Bonds that have a basis in the Taxable Bonds that is greater than the principal amount of the Taxable Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

In the event of a legal defeasance of a Taxable Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Taxable Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Taxable Bond Owner's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the Taxable Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Taxable Bonds and the accrual or receipt of interest with respect to the Taxable Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel for the Taxable Bonds is attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of community college districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" herein. If the safeguards are not successful in preventing a community college district from becoming insolvent, the State Chancellor and the Board of Governors, operating through a special trustee appointed by the State Chancellor, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the community college district for the adjustment of its debts. In addition, an insolvent community college district may be able to file a petition under Chapter 9 before a special trustee is appointed. Prior to such petition, if any, the community college district is required to participate in a neutral evaluation process with interested parties as provided in the Government Code or declare a fiscal emergency and adopt a resolution by a majority vote of the governing board that includes findings that the financial state of the community college district jeopardizes the health, safety, or well-being of the residents of its jurisdiction or service area absent the protections of Chapter 9.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the District or the Board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's investment pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" and "APPENDIX E – SAN BERNARDINO COUNTY TREASURY POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code, are eligible for security for deposits of public moneys in the State.

Enhanced Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Escrow Verification

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest on the Refunded Bonds

Continuing Disclosure

Current Undertaking. The District has covenanted for the benefit of Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Report and the notices of listed events will be filed in accordance with the requirements of the Rule. The specific nature of the information to be made available and to be contained in the notices of listed events is described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has failed to timely file its annual reports for fiscal year 2013-14.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds have been assigned ratings of "Aa1" and "AA" by Moody's and S&P, respectively. The ratings reflect only the view of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich, New York, NY 10007 and S&P Global Ratings, 55 Water Street, 45th Floor, New York, NY 10041. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA.

Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 7, 2018 of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"), pursuant to contracts for purchase and sale thereof by and between the Underwriter and the District (the "Purchase Contracts"). The Underwriter has agreed to purchase (i) all of the Series A Bonds at a price of $__________ (consisting of the principal amount of the Series A Bonds of $___________, plus [net] original issue premium of $___________, and less an Underwriter's discount of $__________), (ii) all of the Series A-1 Bonds at a price of $__________ (consisting of the principal amount of the Series A-1 Bonds of $___________, plus [net] original issue premium of $___________, and less an Underwriter's discount of $__________), and (iii) all of the 2019 Refunding Bonds at a price of $______, (consisting of the principal amount of the 2019 Refunding Bonds of $________, plus [net] original issue premium of $_________, and less the Underwriter's discount of $________).

The Purchase Contracts for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following paragraph for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District:

Piper Jaffray & Co. has entered into a distribution agreement with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the agreement, CS&Co. will purchase Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

By ______________________________

Bruce Baron
Superintendent/President

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APPENDIX A

FORM OF OPINIONS OF BOND COUNSEL

Upon issuance of the Series A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Series A Bonds in substantially the following form:

[Closing Date]

Board of Trustees
San Bernardino Community College District

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $________________ San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act") commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the San Bernardino Community College District (the "District") voting at an election held on November 6, 2018, and a resolution of the Board of Trustees of the District adopted on November 14, 2019 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is

not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Series A-1 Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series A-1 Bonds substantially in the following form:

[Closing Date]

Board of Trustees
San Bernardino Community College District

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $_______________ San Bernardino Community College District (San Bernardino and Riverside Counties, California) Election of 2018 General Obligation Bonds, Series A-1 (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act") commencing with Section 53506 *et seq.*, a fifty-five percent vote of the qualified electors of the San Bernardino Community College District (the "District") voting at an election held on November 6, 2018, and a resolution of the Board of Trustees of the District adopted on November 14, 2019 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Bonds is exempt from State of California personal income tax.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the

amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the 2019 Refunding Bonds substantially in the following form:

[Closing Date]

Board of Trustees
San Bernardino Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $______________ San Bernardino Community College District 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees of the District adopted on November 14, 2019 (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Bonds is exempt from State of California personal income tax.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the

original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of San Bernardino Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 11, and other required supplementary schedules on pages 68 and through 73, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek Trine Day & Co. LLP

Rancho Cucamonga, California
November 19, 2018

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of San Bernardino Community College District (the District) as of June 30, 2018. The report consists of the following three basic financial statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

- The District's primary funding source is apportionment received from the State of California. The District's apportionment amount is determined by the number and size of colleges in the District and the number of Full-Time Equivalent Students (FTES). The District FTES for the year ended June 30, 2018, increased by 7.4 percent from the prior year as noted below.

	Year Ended June 30		
	2018	**2017**	**Change**
San Bernardino Valley College	10,785	10,131	6.5%
Crafton Hills College	4,519	4,122	9.6%
San Bernardino Community College District	15,304	14,253	7.4%

- During the year ended June 30, 2018, the District endeavored to fill various vacant employee positions across the District and improved staffing levels by 3.5 percent over the prior year as noted below.

	Year Ended June 30		
	2018	2017	Change
Administrators	113	103	9.7%
Faculty	282	275	2.5%
Classified	438	427	2.6%
Total	833	805	3.5%

- The District continues to monitor compliance with the 50 percent law, which requires that at least 50 percent of the current expense of education be spent on instructional salaries. During the year ended June 30, 2018, the District improved the rate to 51.19 percent from 51.12 percent in the previous year.
- During the year, the District invested $75 million from the FCC auction proceeds.

Statement of Net Position

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

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

The difference between the sum of total assets plus deferred outflows of resources and total liabilities plus deferred inflows (net position) is one indicator of the current financial condition of the District. Another indicator is the change in net position which shows whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

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

The Statement of Net Position as of June 30, 2018 and June 30, 2017, is summarized below.

(Amounts in thousands)

	2018	(as restated) 2017
ASSETS		
Current Assets		
Cash and investments	$ 266,170	$ 154,645
Accounts receivable (net)	15,362	6,886
Other current assets	1,006	2,303
Total Current Assets	282,538	163,834
Capital Assets (net)	537,149	544,718
Total Assets	819,687	708,552
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	12,365	13,277
Deferred outflows of resources related to pensions	53,830	27,572
Deferred outflows of resources related to OPEB	296	-
Total Deferred Outflows of Resources	66,491	40,849
LIABILITIES		
Current Liabilities		
Accounts payable and other liabilities	39,836	49,576
Current portion of long-term debt	11,525	10,415
Total Current Liabilities	51,361	59,991
Long-Term Obligations	702,572	622,505
Total Liabilities	753,933	682,496
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	18,156	21,012
NET POSITION		
Net investment in capital assets	58,611	37,952
Restricted	33,975	44,171
Unrestricted	21,503	(36,230)
Total Net Position	$ 114,089	$ 45,893

Statement of Revenues, Expenses, and Changes in Net Position

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

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

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2018 and June 30, 2017, is summarized below.

(Amounts in thousands)

	2018	2017
Operating Revenues		
Tuition and fees	$ 8,123	$ 7,089
Grants and contracts, non capital	35,018	41,822
Auxiliary sales and charges	3,389	4,471
Total Operating Revenues	46,530	53,382
Operating Expenses		
Salaries and benefits	109,677	96,886
Supplies and maintenance	30,356	45,655
Student financial aid	25,631	23,877
Depreciation	17,087	15,524
Total Operating Expenses	182,751	181,942
Operating Loss	(136,221)	(128,560)
Nonoperating Revenues		
State apportionments	57,177	51,417
Property taxes	53,783	42,613
Financial aid grants, non capital	24,311	22,388
State revenues	3,506	12,709
Net interest expense	(23,656)	(17,878)
Other nonoperating revenues	86,530	7,292
Total Nonoperating Revenue	201,651	118,541
Other Revenues		
State and local capital income	2,766	1,771
Net Change in Net Position	$ 68,196	$ (8,248)

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

Year ended June 30, 2018:

(Amounts in thousands)

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	$ 34,262	$ 17,536	$ 1,254	$ -	$ -	$ -	$ 53,052
Academic support	4,436	1,908	2,224	-	-	-	8,568
Student services	11,796	4,500	2,182	-	-	-	18,478
Plant operations and maintenance	3,368	1,762	2,335	-	-	-	7,465
Instructional support services	11,736	4,902	11,696	-	-	-	28,334
Community services and economic development	4,473	1,590	1,666	-	-	-	7,729
Ancillary services and auxiliary operations	4,867	2,091	6,796	-	-	-	13,754
Student aid	-	-	-	-	25,631	-	25,631
Physical property and related acquisitions	327	123	435	1,768	-	-	2,653
Unallocated depreciation	-	-	-	-	-	17,087	17,087
Total	$ 75,265	$ 34,412	$ 28,588	$ 1,768	$ 25,631	$ 17,087	$ 182,751

Statement of Cash Flows

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

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

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

- Noncapital financing - primarily State apportionment and property taxes.

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

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

The Statement of Cash Flows for the years ended June 30, 2018 and June 30, 2017, is summarized below.

(Amounts in thousands)

	2018	2017
Cash Provided by (Used in)		
Operating activities	$ (116,372)	$ (157,211)
Noncapital financing activities	193,561	168,855
Capital financing activities	32,863	(43,310)
Investing activities	3,454	39,470
Net Increase in Cash	113,506	7,804
Cash, Beginning of Year	117,372	109,568
Cash, End of Year	$ 230,878	$ 117,372

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had $693.2 million in capital assets, less $156.1 million accumulated depreciation for net capital assets of $537.1 million. The District continues to work on the facilities projects that are part of the $450 million bond master plan. The District spent approximately $19.0 million on capital assets during the year, the majority of which relate to bond proceeds. Depreciation charges during the year totaled $17.1 million. Note 6 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 98,887	$ 7,431	$ (9,226)	$ 97,092
Buildings and improvements	559,321	10,312	(2,456)	567,177
Furniture and equipment	28,276	1,289	(548)	29,017
Subtotal	686,484	19,032	(12,230)	693,286
Accumulated depreciation	(141,766)	(17,086)	2,715	(156,137)
	$ 544,718	$ 1,946	$ (9,515)	$ 537,149

Obligations

As of June 30, 2018, the District had $714.1 million in debt consisting of $593.7 million from general obligation bonds, $112.2 million from pension obligation, $1.8 million from net pension liability, $3.2 million from compensated absences, and $3.2 million claims liability.

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

(Amounts in thousands)

	Balance as restated, July 1, 2017	Additions	Deletions	Balance June 30, 2018
General obligation bonds	$ 548,279	$ 59,496	$ (14,026)	$ 593,749
Compensated absences	3,347	-	(91)	3,256
Claims liability	3,078	97	-	3,175
Community service grant payable	109	-	(109)	-
Aggregate net OPEB liability	1,755	1,212	(1,199)	1,768
Aggregate net pension obligation	76,352	35,798	-	112,150
Total Long-Term Debt	$ 632,920	$ 96,603	$ (15,425)	$ 714,098
Amount due within one year				$ 11,525

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 51,678,442
Investments	214,491,904
Accounts receivable	11,901,681
Student loans receivable, net	3,460,454
Due from fiduciary funds	144,151
Prepaid expenses	847,308
Inventories	14,500
Total Current Assets	282,538,440
Noncurrent Assets	
Nondepreciable capital assets	97,091,896
Depreciable capital assets, net of depreciation	440,056,914
Total Noncurrent Assets	537,148,810
TOTAL ASSETS	819,687,250
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	12,365,125
Deferred outflows of resources related to pensions	53,829,862
Deferred outflows of resources related to OPEB	295,696
TOTAL DEFERRED OUTFLOWS OF RESOURCES	66,490,683
LIABILITIES	
Current Liabilities	
Accounts payable	15,187,235
Accrued interest payable	8,219,958
Due to fiduciary funds	25,024
Unearned revenue	16,403,781
Bonds payable - current portion	11,525,000
Total Current Liabilities	51,360,998
Noncurrent Liabilities	
Compensated absences	3,255,473
Bonds payable - noncurrent portion	582,224,194
Claims liability	3,174,783
Aggregate net other postemployment benefits (OPEB) liability	1,767,948
Aggregate net pension obligation	112,150,172
Total Noncurrent Liabilities	702,572,570
TOTAL LIABILITIES	753,933,568
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	18,155,750
NET POSITION	
Net investment in capital assets	58,610,731
Restricted for:	
Debt service	24,455,340
Capital projects	7,780,937
Educational programs	1,739,054
Unrestricted	21,502,553
TOTAL NET POSITION	$ 114,088,615

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Student Tuition and Fees	$ 21,026,371
Less: Scholarship discount and allowance	(12,903,371)
Net tuition and fees	8,123,000
Grants and Contracts, Noncapital	
Federal	2,372,766
State	30,239,208
Local	2,406,378
Net grants and contracts, noncapital	35,018,352
Auxiliary Enterprise Sales and Charges	
Bookstore	2,799,608
Cafeteria	589,342
TOTAL OPERATING REVENUES	46,530,302
OPERATING EXPENSES	
Salaries	75,264,689
Employee benefits	34,412,380
Supplies, materials, and other operating expenses and services	28,588,385
Equipment, maintenance, and repairs	1,767,834
Student financial aid	25,630,531
Depreciation	17,087,085
TOTAL OPERATING EXPENSES	182,750,904
OPERATING LOSS	(136,220,602)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	57,176,853
Local property taxes, levied for general purposes	28,211,597
Taxes levied for other specific purposes	25,571,878
Federal financial aid grants, noncapital	21,244,822
State financial aid grants, noncapital	3,066,397
State taxes and other revenues	3,505,715
Investment income	2,600,042
Interest expense on capital related debt	(26,547,495)
Investment income on capital asset-related debt, net	291,323
Transfer from fiduciary funds	850,000
Transfer to fiduciary funds	(75,225,000)
Other nonoperating revenue	160,904,473
TOTAL NONOPERATING REVENUES (EXPENSES)	201,650,605
INCOME BEFORE OTHER REVENUES	65,430,003
OTHER REVENUES	
State revenues, capital	988,385
Local revenues, capital	1,777,334
TOTAL OTHER REVENUES	2,765,719
CHANGE IN NET POSITION	68,195,722
BEGINNING NET POSITION, AS RESTATED	45,892,893
NET POSITION, END OF YEAR	$ 114,088,615

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 8,781,087
Federal and State grants and contracts	30,217,390
Payments to or on behalf of employees	(103,003,783)
Payments to vendors for supplies and services	(30,039,407)
Payments to students for scholarships and grants	(25,630,531)
Auxiliary enterprise sales and charges	3,303,473
Net Cash Flows From Operating Activities	(116,371,771)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	53,170,383
Federal and State financial aid grants	24,311,219
Property taxes	28,211,597
State taxes and other apportionments	3,180,500
Other nonoperating	84,687,539
Net Cash Flows From Noncapital Financing Activities	193,561,238
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(16,257,703)
State revenue, capital projects	988,385
Local revenue, capital projects	1,777,334
Property taxes - related to capital debt	25,571,878
Proceeds from capital debt	59,496,008
Principal paid on capital debt	(14,026,009)
Interest paid on capital debt	(24,978,221)
Interest received on capital asset-related debt	291,323
Net Cash Flows From Capital Financing Activities	32,862,995
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	1,980,669
Interest received from investments	1,472,865
Net Cash Flows From Investing Activities	3,453,534
NET CHANGE IN CASH AND CASH EQUIVALENTS	113,505,996
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	117,372,168
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 230,878,164

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (136,220,602)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	17,087,085
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(5,064,666)
Inventories	841,311
Prepaid expenses	558,067
Accounts payable and accrued liabilities	(707,278)
Unearned revenue	836,314
Claims liability	96,538
Compensated absences	(91,210)
Deferred outflows of resources related to pensions	(26,257,229)
Deferred outflows of resources related to OPEB	(295,696)
Deferred inflows of resources related to pensions	(2,856,266)
Community service grant payable	(109,374)
Aggregate net OPEB liability	12,822
Aggregate net pension obligation	35,798,413
Total Adjustments	19,848,831
Net Cash Flows From Operating Activities	$ (116,371,771)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 51,678,442
Cash in county treasury	179,199,722
Total Cash and Cash Equivalents	$ 230,878,164

NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 3,456,305

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Retiree OPEB Trust	PARS Trust	Other Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents	$ -	$ -	$ 599,803	$ 285,876
Investments	8,450,288	74,912,028	1,682,103	-
Accounts receivable	-	-	135,303	878
Due from primary government	-	-	21,378	3,646
Prepaid expenses	-	-	35,812	965,863
Other current assets	-	-	31,614	-
Total Assets	8,450,288	74,912,028	2,506,013	$ 1,256,263
LIABILITIES				
Cash overdraft	-	-	-	$ 39,140
Accounts payable	-	-	142,517	151,253
Due to primary government	-	-	137,448	6,703
Unearned revenue	-	-	277,098	-
Due to student groups	-	-	-	286,522
Due to KVCR FNX	-	-	-	772,645
Total Liabilities	-	-	557,063	$ 1,256,263
NET POSITION				
Restricted for postemployment benefits other than pensions	8,450,288	-	-	
Restricted for pension benefits	-	74,912,028	-	
Unreserved	-	-	1,948,950	
Total Net Position	$ 8,450,288	$ 74,912,028	$ 1,948,950	

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Retiree OPEB Trust	PARS Trust	Other Trust Funds
ADDITIONS			
State revenues	$ -	$ -	$ 233,429
Local revenues	487,707	(61,001)	2,526,656
Total Additions	487,707	(61,001)	2,760,085
DEDUCTIONS			
Classified salaries	-	-	690,287
Employee benefits	-	-	214,662
Books and supplies	-	-	10,400
Services and operating expenditures	73,272	26,971	858,294
Capital outlay	-	-	187,970
Total Deductions	73,272	26,971	1,961,613
OTHER FINANCING SOURCES (USES)			
Transfer from primary government	-	75,000,000	225,000
Transfer to primary government	-	-	(850,000)
Other uses	-	-	(156,730)
Total Other Financing Sources (Uses)	-	75,000,000	(781,730)
Change in Net Position	414,435	74,912,028	16,742
Net Position - Beginning	8,035,853	-	1,932,208
Net Position - Ending	$ 8,450,288	$ 74,912,028	$ 1,948,950

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

NOTE 1 - ORGANIZATION

San Bernardino Community College District (the District) was established in 1926 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges, a Professional Development Center, and a television and radio station located within San Bernardino County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion.

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

- KVCR Educational Foundation, Inc.

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

Condensed Statement of Net Position

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

- Economic Development and Corporate Training Foundation

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

Complete financial statements for the Foundation and the EDCT Foundation can be obtained from the District's Business Office. Condensed component unit information for the Foundation and the EDCT Foundation, the District's blended component units, for the year ended June 30, 2018, is as follows:

Condensed Statement of Net Position

	KVCR Educational Foundation, Inc.	Economic Development and Corporate Training Foundation
ASSETS		
Total Assets	$ 662,627	$ 247,021
LIABILITIES		
Total Liabilities	362,096	183,974
NET POSITION		
Total Net Position	$ 300,531	$ 63,047

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

	KVCR Educational Foundation, Inc.	Economic Development and Corporate Training Foundation
REVENUES		
Total Revenues	$ 1,824,288	$ 319,030
EXPENSES		
Total Expenses	1,100,518	474,449
Transfer from primary government	-	225,000
Transfer to primary government	(850,000)	-
CHANGE IN NET POSITION	(126,230)	69,581
NET POSITION, BEGINNING OF YEAR	426,761	(6,534)
NET POSITION, END OF YEAR	$ 300,531	$ 63,047

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $613,423 for the year ended June 30, 2018.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Issuance Costs, Premiums and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Charges on Refunding

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

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

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

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, claims liability, aggregate net OPEB liability and the aggregate net pension obligation with maturities greater than one year.

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $33,975,331 of restricted net position.

Operating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

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

Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

Primary government	$ 266,170,346
Fiduciary funds	85,890,958
Total Deposits and Investments	$ 352,061,304

Cash on hand and in banks	$ 51,562,571
Cash in revolving	1,001,550
Cash in County Treasury	180,842,685
Investments	118,654,498
Total Deposits and Investments	$ 352,061,304

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment pool and various short-term securities evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $180,842,685 with the San Bernardino County Investment Pool with a weighted maturity of 353 days. In addition, the District maintains investments of $35,292,182 and $83,362,316 in Short-Term Securities and Mutual Funds, respectively.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment pool is rated at AAAf/SI by Fitch Ratings agency. All other investments are not required to be rated, nor have they been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance of $2,532,334 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

		Fair Value Measurements Using	
Investment Type	Fair Value	Level 1 Inputs	Uncategorized
San Bernardino County Investment Pool	$ 179,846,545	$ -	$ 179,846,545
Short-Term Securities	35,292,182	35,292,182	-
Mutual Funds	83,362,316	83,362,316	-
Total	$ 298,501,043	$ 118,654,498	$ 179,846,545

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,086,113	$ -
State Government		
Categorical aid	4,727,268	128,248
Lottery	648,146	-
Local Sources		
Interest	1,388,852	7,479
Property taxes	870,928	-
Other local sources	3,180,374	454
Total	$ 11,901,681	$ 136,181

Student loans receivable	$ 4,073,877
Less allowance for bad debt	(613,423)
Student loans receivable, net	$ 3,460,454

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$ 4,518,454	$ -	$ -	$ 4,518,454
Construction in progress	94,368,158	7,431,589	9,226,305	92,573,442
Total Capital Assets Not Being Depreciated	98,886,612	7,431,589	9,226,305	97,091,896
Capital Assets Being Depreciated				
Land improvements	79,019,735	703,158	-	79,722,893
Buildings and improvements	480,301,266	9,609,326	2,456,000	487,454,592
Furniture and equipment	28,275,996	1,288,591	548,229	29,016,358
Total Capital Assets Being Depreciated	587,596,997	11,601,075	3,004,229	596,193,843
Total Capital Assets	686,483,609	19,032,664	12,230,534	693,285,739
Less Accumulated Depreciation				
Land improvements	47,120,272	6,268,546	-	53,388,818
Buildings and improvements	72,263,261	9,408,964	2,216,320	79,455,905
Furniture and equipment	22,381,763	1,409,575	499,132	23,292,206
Total Accumulated Depreciation	141,765,296	17,087,085	2,715,452	156,136,929
Net Capital Assets	$ 544,718,313	$ 1,945,579	$ 9,515,082	$ 537,148,810

Depreciation expense for the year was $17,087,085.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 3,343,266	$ 60,762
Apportionment	3,236,051	-
Construction	1,018,474	-
State categorical	86,084	-
Other	7,503,360	233,008
Total	$ 15,187,235	$ 293,770

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 99,949	$ -
State categorical aid	9,062,952	-
Enrollment fees	3,274,485	-
Other local	3,966,395	277,098
Total	$ 16,403,781	$ 277,098

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018, the amount owed to the fiduciary funds from the primary government was $25,024, and the amount owed to primary government from the fiduciary funds was $144,151.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 fiscal year, the primary government transferred $75,225,000 to the fiduciary funds, and the fiduciary funds transferred $850,000 to the primary government.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Bonds Payable					
Election 2002 Series D	$ 8,784,260	$ 682,878	$ -	$ 9,467,138	$ -
Election 2002 Series E	15,000,000	-	-	15,000,000	-
Subtotal Election 2002	23,784,260	682,878	-	24,467,138	-
2005 Refunding Bonds	8,452,198	1,044,692	-	9,496,890	-
Election 2008 Series A	4,165,000	-	1,830,000	2,335,000	2,335,000
Election 2008 Series B	121,200,193	6,012,869	1,540,000	125,673,062	1,690,000
Election 2008 Series C	45,210,000	-	-	45,210,000	-
Election 2008 Series D	36,861,824	393,015	1,200,000	36,054,839	445,000
Subtotal Election 2008	207,437,017	6,405,884	4,570,000	209,272,901	4,470,000
2013 Refunding Bonds Series A	191,940,000	-	1,285,000	190,655,000	1,330,000
2013 Refunding Bonds Series B	25,695,000	-	2,190,000	23,505,000	5,725,000
2015 Refunding Bonds	55,375,000	-	3,180,000	52,195,000	-
2017 Refunding Bonds Series A	-	14,145,000	-	14,145,000	-
2017 Refunding Bonds Series B	-	32,070,000	-	32,070,000	-
Premium on debt	35,595,720	5,147,554	2,801,009	37,942,265	-
Total Bonds Payable	548,279,195	59,496,008	14,026,009	593,749,194	11,525,000
Other Liabilities					
Community service grant payable	109,374	-	109,374	-	-
Compensated absences	3,346,683	-	91,210	3,255,473	-
Claims liability	3,078,245	96,538	-	3,174,783	-
Aggregate net OPEB liability	1,755,126	1,212,116	1,199,294	1,767,948	-
Aggregate net pension obligation	76,351,759	35,798,413	-	112,150,172	-
Total Other Liabilities	84,641,187	37,107,067	1,399,878	120,348,376	-
Total Long-Term Obligations	$ 632,920,382	$ 96,603,075	$ 15,425,887	$ 714,097,570	$ 11,525,000

Description of Obligations

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax collections. Workers' compensation claims liability is an estimate based on an actuarial study completed by a third party specialist. Actual claims paid will be made from the Self-Insurance Fund. Management is responsible to evaluate the adequacy of the change in value. The compensated absences will be paid by the fund for which the employee worked. Payments related to the aggregate net OPEB liability will be paid by the fund for which the employee worked. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. The community service grant payable is for the overpayment of grant monies received from the Corporation for Public Broadcasting. The community service grant payable was be paid from the KVCR Special Revenue Fund as a reduction in future grants. The obligation was satisfied in fiscal year 2018. For further details of the aggregate net OPEB liability and aggregate net pension obligation see Note 11 and Note 13, respectively.

Bonded Debt

The San Bernardino Community College District Election of 2002

General obligation bonds were approved by a local election in November 2002. The total amount approved by the voters was $190,000,000. Interest rates on the bonds range from 6.02 to 7.63 percent. As of June 30, 2018, $189,999,797 had been issued, and $24,467,138 was outstanding.

The San Bernardino Community College District 2005 Refunding Bonds

In March 2005, the District issued $56,562,550 in general obligation bonds to advance refund a portion of 2002 Series A and B Bonds. Interest rates on the bonds range from 3.00 to 5.14 percent. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. As of June 30, 2018, the outstanding balance was $9,496,890.

The San Bernardino Community College District Election of 2008

General obligation bonds were approved by a local election in November 2008. The total amount approved by the voters was $500,000,000. Interest rates on the bonds range from 2.00 to 7.63 percent. As of June 30, 2018, $500,000,000 had been issued, and $209,272,901 was outstanding.

The San Bernardino Community College District 2013 Refunding Bonds

In April 2013, the District issued 2013 General Obligation Series A Refunding Bonds and 2013 General Obligation Series B Refunding Bonds to advance refund portions of 2002 Series C, the 2005 General Obligation Refunding Bonds, and the 2008 Series A Bonds. Interest rates on the bonds range from 0.49 to 5.00 percent. The proceeds from the bonds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. The outstanding balances for the 2013 General Obligation Series A Refunding Bonds and the 2013 General Obligation Series B Refunding Bonds are $190,655,000 and $23,505,000, respectively.

The San Bernardino Community College District 2015 Refunding Bonds

In September 2015, the District issued $55,975,000 in general obligation bonds to advance refund the 2002 Series C and a portion of 2005 Refunding Bonds. Interest rates on the bonds range from 2.00 to 5.00 percent. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. As of June 30, 2018, the outstanding balance was $52,195,000.

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

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series A Bonds in the amount of $14,145,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00 to 5.00 percent. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of $3,404,250 and an economic gain of $2,564,502 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.857 percent. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2018, the outstanding balance was $14,145,000.

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

In December 2017, the District issued the 2017 General Obligation Refunding (Crossover) Series B Bonds in the amount of $32,070,000. The bonds will be redeemed at the Crossover date of August 1, 2024; therefore, the refunding is not considered a current refunding. Interest rates on the bonds range from 4.00 to 5.00 percent. Amounts paid to the refunded bond escrow agent in excess of outstanding debt at the time of payment are recorded as deferred charges on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. The refunding resulted in a cash flow savings of $6,344,081 and an economic gain of $4,415,584 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted 2.857 percent. The net proceeds from the issuance were used to advance refund, on a crossover basis at the crossover date, a portion of the District's outstanding general obligation bonds. As of June 30, 2018, the outstanding balance was $32,070,000.

Debt Maturity

General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Additions	Redeemed	Bonds Outstanding June 30, 2018
2002 D	6/9/2009	8/1/2033	6.02%-6.79%	$ 4,999,797	$ 8,784,260	$ 682,878	$ -	$ 9,467,138
2002 E	6/9/2009	8/1/2033	7.63%	15,000,000	15,000,000	-	-	15,000,000
Refunding 2005	3/22/2005	8/1/2023	3.00%-5.14%	56,562,550	8,452,198	1,044,692	-	9,496,890
2008 A	12/17/2008	8/1/2018	3.75%-6.50%	140,000,000	4,165,000	-	1,830,000	2,335,000
2008 B	6/9/2009	8/1/2048	2.60%-7.19%	73,102,389	121,200,193	6,012,869	1,540,000	125,673,062
2008 C	6/9/2009	8/1/2044	7.43%-7.63%	45,210,000	45,210,000	-	-	45,210,000
2008 D	9/22/2015	8/1/2048	2.00%-5.00%	37,536,960	36,861,824	393,015	1,200,000	36,054,839
Refunding 2013 Series A	4/10/2013	8/1/2033	0.50%-5.00%	198,570,000	191,940,000	-	1,285,000	190,655,000
Refunding 2013 Series B	4/10/2013	8/1/2021	0.49%-3.06%	32,460,000	25,695,000	-	2,190,000	23,505,000
Refunding 2015	9/22/2015	8/1/2031	2.00%-5.00%	55,975,000	55,375,000	-	3,180,000	52,195,000
Refunding 2017 Series A	12/12/2017	8/1/2033	4.00%-5.00%	14,145,000	-	14,145,000	-	14,145,000
Refunding 2017 Series B	12/12/2017	8/1/2034	4.00%-5.00%	32,070,000	-	32,070,000	-	32,070,000
Subtotal General Obligation Bonds					512,683,475	54,348,454	11,225,000	555,806,929
Premium on debt					35,595,720	5,147,554	2,801,009	37,942,265
					$ 548,279,195	$ 59,496,008	$ 14,026,009	$ 593,749,194

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	726,514	493,486	1,220,000
2029-2033	5,917,881	8,942,119	14,860,000
2034	2,822,743	9,987,257	12,810,000
Total	$ 9,467,138	$ 19,422,862	$ 28,890,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 1,144,500	$ 1,144,500
2020	-	1,144,500	1,144,500
2021	-	1,144,500	1,144,500
2022	-	1,144,500	1,144,500
2023	-	1,144,500	1,144,500
2024-2028	-	5,722,500	5,722,500
2029-2033	7,500,000	5,436,375	12,936,375
2034	7,500,000	286,125	7,786,125
Total	$ 15,000,000	$ 17,167,500	$ 32,167,500

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	1,087,316	547,684	1,635,000
2024	8,409,574	6,640,426	15,050,000
Total	$ 9,496,890	$ 7,188,110	$ 16,685,000

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 2,335,000	$ 61,294	$ 2,396,294

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

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Current Interest	Total
2019	$ 1,598,085	$ 91,915	$ -	$ 1,690,000
2020	1,560,095	284,905	1,005,019	2,850,019
2021	-	-	2,010,038	2,010,038
2022	111,559	53,441	2,010,038	2,175,038
2023	205,561	134,439	2,010,038	2,350,038
2024-2028	1,907,587	2,672,413	10,050,188	14,630,188
2029-2033	1,641,550	3,703,450	10,050,188	15,395,188
2034-2038	28,678,383	2,851,617	2,518,760	34,048,760
2039-2043	34,890,200	101,989,800	-	136,880,000
2044-2048	31,944,944	165,875,056	-	197,820,000
2049	23,135,098	176,484,902	-	199,620,000
Total	$ 125,673,062	$ 454,141,938	$ 29,654,269	$ 609,469,269

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 3,387,103	$ 3,387,103
2020	-	3,387,103	3,387,103
2021	-	3,387,103	3,387,103
2022	-	3,387,103	3,387,103
2023	-	3,387,103	3,387,103
2024-2028	-	16,935,515	16,935,515
2029-2033	-	16,935,515	16,935,515
2034-2038	-	16,935,515	16,935,515
2039-2043	31,210,000	8,819,355	40,029,355
2044-2045	14,000,000	1,602,300	15,602,300
Total	$ 45,210,000	$ 78,163,715	$ 123,373,715

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

Fiscal Year	Principal	Accreted Interest	Interest to Maturity	Total
2019	$ 445,000	$ -	$ 1,319,925	$ 1,764,925
2020	-	-	1,313,250	1,313,250
2021	56,792	3,208	1,316,046	1,376,046
2022	105,385	9,615	1,319,118	1,434,118
2023	247,836	32,164	1,328,219	1,608,219
2024-2028	2,164,052	440,948	6,544,070	9,149,070
2029-2033	3,202,003	2,302,997	6,652,425	12,157,425
2034-2038	2,659,088	3,350,912	6,623,746	12,633,746
2039-2043	6,094,683	3,225,317	6,328,630	15,648,630
2044-2048	16,570,000	-	3,384,250	19,954,250
2049	4,510,000	-	112,750	4,622,750
Total	$ 36,054,839	$ 9,365,161	$ 36,242,429	$ 81,662,429

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 1,330,000	$ 8,556,400	$ 9,886,400
2020	4,275,000	8,444,300	12,719,300
2021	4,890,000	8,236,550	13,126,550
2022	5,765,000	7,970,175	13,735,175
2023	6,625,000	7,660,425	14,285,425
2024-2028	85,960,000	28,533,675	114,493,675
2029-2033	72,145,000	9,810,575	81,955,575
2034	9,665,000	193,300	9,858,300
Total	$ 190,655,000	$ 79,405,400	$ 270,060,400

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 5,725,000	$ 553,966	$ 6,278,966
2020	6,070,000	415,430	6,485,430
2021	6,460,000	249,213	6,709,213
2022	5,250,000	80,194	5,330,194
Total	$ 23,505,000	$ 1,298,803	$ 24,803,803

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 2,609,750	$ 2,609,750
2020	-	2,609,750	2,609,750
2021	-	2,609,750	2,609,750
2022	-	2,609,750	2,609,750
2023	-	2,609,750	2,609,750
2024-2028	-	13,048,750	13,048,750
2029-2032	52,195,000	5,516,625	57,711,625
Total	$ 52,195,000	$ 31,614,125	$ 83,809,125

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 583,550	$ 583,550
2020	-	583,550	583,550
2021	-	583,550	583,550
2022	-	583,550	583,550
2023	-	583,550	583,550
2024-2028	-	2,917,750	2,917,750
2029-2033	7,115,000	2,766,575	9,881,575
2034	7,030,000	140,600	7,170,600
Total	$ 14,145,000	$ 8,742,675	$ 22,887,675

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ -	$ 1,355,700	$ 1,355,700
2020	-	1,355,700	1,355,700
2021	-	1,355,700	1,355,700
2022	-	1,355,700	1,355,700
2023	-	1,355,700	1,355,700
2024-2028	695,000	6,726,625	7,421,625
2029-2033	1,065,000	6,445,875	7,510,875
2034-2035	30,310,000	1,581,050	31,891,050
Total	$ 32,070,000	$ 21,532,050	$ 53,602,050

Compensated Absences

At June 30, 2018, the liability for compensated absences was $3,255,473.

Aggregate Net OPEB Liability

At June 30, 2018, the liability for the aggregate net OPEB liability amounted to $1,767,948. See Note 11 for additional information.

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to $112,150,172. See Note 13 for additional information.

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

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported an aggregate net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 1,263,194	$ 295,696	$ 76,101
Medicare Premium Payment (MPP) Program	504,754	-	63,279
Total	$ 1,767,948	$ 295,696	$ 139,380

The details of each plan are as follows:

District Plan

Plan Administration

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

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	27
Active employees	659
	686

San Bernardino Community College District Futuris Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2016-2017, the District contributed $386,897 to the Plan, which was used for current premiums.

Investment

Investment Policy

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

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

Rate of Return

For the year ended June 30, 2017, the annual money-weighed rate of return on investments, net of investment expense, was 9.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $1,263,194 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 9,299,047
Plan fiduciary net position	(8,035,853)
District's net OPEB liability	$ 1,263,194
Plan fiduciary net position as a percentage of the total OPEB liability	86.42%

Actuarial Assumptions

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

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Investment rate of return	6.00	percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.00	percent for 2017

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

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

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

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

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

Discount Rate

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2016	$ 8,542,363	$ 7,355,270	$ 1,187,093
Service cost	624,455	-	624,455
Interest	519,126	-	519,126
Contributions - employer	-	386,897	(386,897)
Net investment income	-	749,118	(749,118)
Administrative expense	-	(68,535)	68,535
Benefit payments	(386,897)	(386,897)	-
Net change in total OPEB liability	756,684	680,583	76,101
Balance at June 30, 2017	$ 9,299,047	$ 8,035,853	$ 1,263,194

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.0%)	$ 1,931,155
Current discount rate (6.0%)	1,263,194
1% increase (7.0%)	653,081

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

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

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (3.0%)	$ 702,053
Current health care cost trend rate (4.0%)	1,263,194
1% increase (5.0%)	1,820,539

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

Contributions

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

OPEB Liabilities and OPEB Expense Related to the OPEB

At June 30, 2018, the District reported a liability of $504,754 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating community college districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 0.1200 percent and 0.1214, respectively, resulting in a net decrease in the proportionate share of 0.0014 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $63,279.

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 558,798
Current discount rate (3.58%)	504,754
1% increase (4.58%)	452,185

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 456,122
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	504,754
1% increase (4.7% Part A and 5.1% Part B)	552,900

NOTE 12 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2018, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017-2018, the District participated in the Schools Alliance for Workers' Compensation Excess (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first $500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 61,286,649	$ 25,220,606	$ 9,114,911	$ 7,059,904
CalPERS	50,863,523	28,609,256	9,040,839	9,666,819
Total	$ 112,150,172	$ 53,829,862	$ 18,155,750	$ 16,726,723

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were $5,387,059.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 61,286,649
State's proportionate share of net pension liability associated with the District	36,256,664
Total	$ 97,543,313

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0663 percent and 0.0682 percent, respectively, resulting in a net decrease in the proportionate share of 0.0019 percent.

For the year ended June 30, 2018, the District recognized pension expense of $7,059,904. In addition, the District recognized pension expense and revenue of $3,649,581 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,387,059	$ -
Net change in proportionate share of net pension liability	8,252,836	6,413,738
Difference between projected and actual earnings on pension plan investments	-	1,632,235
Difference between expected and actual experience in the measurement of the total pension liability	226,644	1,068,938
Changes of assumptions	11,354,067	-
Total	$ 25,220,606	$ 9,114,911

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (1,356,937)
2020	1,026,800
2021	148,059
2022	(1,450,157)
Total	$ (1,632,235)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,515,042
2020	2,515,042
2021	2,515,042
2022	2,515,044
2023	576,090
Thereafter	1,714,611
Total	$ 12,350,871

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 89,988,257
Current discount rate (7.10%)	61,286,649
1% increase (8.10%)	37,993,348

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were $4,654,746.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $50,863,523. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.2131 percent and 0.2204 percent, respectively, resulting in a net decrease in the proportionate share of 0.0073 percent.

For the year ended June 30, 2018, the District recognized pension expense of $9,666,819. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,654,746	$ -
Net change in proportionate share of net pension liability	12,943,331	8,441,984
Difference between projected and actual earnings on pension plan investments	1,759,530	-
Difference between expected and actual experience in the measurement of the total pension liability	1,822,231	-
Changes of assumptions	7,429,418	598,855
Total	$ 28,609,256	$ 9,040,839

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (47,677)
2020	2,030,116
2021	740,610
2022	(963,519)
Total	$ 1,759,530

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 3,051,762
2020	3,516,042
2021	6,586,337
Total	$ 13,154,141

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 74,836,541
Current discount rate (7.15%)	50,863,523
1% increase (8.15%)	30,975,896

CalSTRS/CalPERS Irrevocable Trust

During the 2017-2018 fiscal year, the District established an irrevocable trust for the purpose of funding future employer contributions associated with the CalSTRS and CalPERS pension plans. Funds deposited into this trust are not considered "plan assets" for GASB Statement No. 68 reporting; therefore, the balance of the irrevocable trust is not netted against the net pension liability shown on the Statement of Net Position. The balance and activity of the trust is recorded as a fiduciary fund of the District. For the year ended June 30, 2018, the District contributed a total of $75,000,000 to the trust. As of June 30, 2018, the balance of the trust was $74,912,028.

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

Plan Description

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

The District's contributions for employees covered by the APPLE plan year ended June 30, 2018, was $143,612.

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to $3,456,305 (9.328 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

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

Schools Association for Excess Risk (SAFER)

SAFER's excess property and liability insurance program was established in 2002 to meet the needs of California K-12 schools and community college districts. The program provides their members with comprehensive coverage and competitive rates. SAFER's membership consists of one individual member district and three joint powers authority members, which represent 517 school and college districts. A board comprised of two representatives from each member with an average daily attendance (ADA) of over 100,000, or one representative for ADAs with less than 100,000, governs SAFER. Each member is allowed votes based on a weighted system based on ADA.

Statewide Association of Community Colleges (SWACC)

SWACC arranges for and provides the broadest possible property and liability protection available to school districts. SWACC's membership consists of 46 community college districts and two joint powers authority members. A board comprised of one representative from each member governs SWACC. Each member is allowed votes based on a weighted system based on ADA. The board controls the operations of SWACC and elects officers from its members.

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

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

California Community College Financing Authority (CCCFA)

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

San Bernardino Regional Emergency Training Center (SBRETC)

SBRETC was formed to establish a live-fire aircraft, rescue, and fire-fighting training facility in Southern California.

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Operating Leases

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

Year Ending June 30,	Lease Payment
2019	$ 215,494
2020	186,424
2021	15,600
2022	15,600
2023	15,600
Thereafter	145,600
Total	$ 594,318

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Spent to Date	Remaining Construction Commitment
SBVC Gymnasium and Stadium	$ 71,541,291	$ 45,709
CHC LADM Renovation	14,821,932	678,068
SBVC Nursing Lab	294,700	175,300
CHC PAC Renovation #2	252,772	947,228
	$ 86,910,695	$ 1,846,305

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

NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the Primary Government. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ 52,176,912
Inclusion of aggregate net OPEB liability from the adoption of GASB Statement No. 75	(6,284,019)
Net Position - Beginning as Restated	$ 45,892,893

REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 624,455
Interest	519,126
Benefit payments	(386,897)
Net changes in total OPEB liability	756,684
Total OPEB Liability - beginning	8,542,363
Total OPEB Liability - ending (a)	$ 9,299,047
Plan fiduciary net position	
Contributions - employer	$ 386,897
Net investment income	749,118
Benefit payments	(386,897)
Administrative expense	(68,535)
Net change in plan fiduciary net position	680,583
Plan fiduciary net position - beginning	7,355,270
Plan fiduciary net position - ending (b)	$ 8,035,853
District's net OPEB liability - ending (a) - (b)	$ 1,263,194
Plan fiduciary net position as a percentage of the total OPEB liability	86.42%
Covered-employee payroll	$ 62,292,241
District's net OPEB liability as a percentage of covered-employee payroll	2.03%

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

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Annual money-weighted rate of return, net of investment expense	9.90%

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

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016
CalSTRS			
District's proportion of the net pension liability	0.0663%	0.0682%	0.0779%
District's proportionate share of the net pension liability	$ 61,286,649	$ 55,196,567	$ 52,472,482
State's proportionate share of the net pension liability associated with the District	36,256,664	31,422,421	27,752,159
Total	$ 97,543,313	$ 86,618,988	$ 80,224,641
District's covered-employee payroll	$ 35,577,170	$ 34,885,918	$ 33,717,601
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.26%	158.22%	155.62%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%
CalPERS			
District's proportion of the net pension liability	0.2131%	0.2204%	0.1032%
District's proportionate share of the net pension liability	$ 50,863,523	$ 21,155,192	$ 32,474,152
District's covered-employee payroll	26,715,071	27,478,113	24,617,297
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	190.39%	76.99%	131.92%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%

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

See accompanying note to required supplementary information.

2015
0.0581%
$ 33,957,179
20,504,811
$ 54,461,990
$ 30,941,662
109.75%
77%
0.1033%
$ 23,974,911
21,652,411
110.73%
83%

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016
CalSTRS			
Contractually required contribution	$ 5,387,059	$ 4,475,608	$ 3,743,259
Contributions in relation to the contractually required contribution	(5,387,059)	(4,475,608)	(3,743,259)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 37,332,356	$ 35,577,170	$ 34,885,918
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%
CalPERS			
Contractually required contribution	$ 4,654,746	$ 3,710,189	$ 3,255,332
Contributions in relation to the contractually required contribution	(4,654,746)	(3,710,189)	(3,255,332)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 29,970,678	$ 26,715,071	$ 27,478,113
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%

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

See accompanying note to required supplementary information.

2015
$ 2,994,123
(2,994,123)
$ -
$ 33,717,601
8.88%
$ 2,897,702
(2,897,702)
$ -
$ 24,617,297
11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

Schedule of OPEB Investment Returns

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

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

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

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

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

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

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

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2018

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

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Joseph Williams	President	2018
Gloria Macias Harrison	Vice President	2020
Dr. Anne Viricel	Clerk	2020
Donna Ferracone	Member	2018
John Longville	Member	2020
Dr. Donald L. Singer	Member	2018
Frank Reyes	Member	2020
Elijah Gerard	Student Trustee, CHC	2019
Autumn Blackburn	Student Trustee, SBVC	2019

ADMINISTRATION

Bruce Baron, M.S.	Chancellor
Diana Rodriquez, M.Ed.	President - San Bernardino Valley College
Vacant	President - Crafton Hills College

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 20,492,302
Federal Pell Grant Program Administrative Allowance	84.063		29,875
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		716,086
FSEOG Administrative Allowance	84.007		36,604
Federal Work-Study Program	84.033		271,977
Federal Work Study Program Administrative Allowance	84.033		13,599
Subtotal Student Financial Assistance Cluster			21,560,443
TRIO - Student Support Services	84.042A		250,338
Passed through from the California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048	17-C01-046	459,090
Title I, CTEA Transitions	84.048A	17-C01-046	59,983
Passed through the State of California - Department of Rehabilitation			
Workability III Program	84.126A	30047	142,762
Total U.S. Department of Education			22,472,616
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		2,476
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education			
Child and Adult Care Food Program	10.558	13666	226,196
National Institute of Food and Agriculture Grants	10.226		20,027
Passed through the the San Bernardino County Office of Education			
Forest Reserve	10.665	[1]	29,195
Total U.S. Department of Agriculture			275,418

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

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through from Chaffey Community College District			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26434-14-60-A-6	$ 255,472
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through California State University of San Bernardino (CSUSB)			
Success in STEM at Hispanic Serving Institutions	47.076	[1]	51,968
Passed through University Enterprises Corportation at CSUSB			
Pre and Post Transfer Success in STEM at Hispanic Serving Institutions	47.076	1644261	40,586
Subtotal Research and Development Cluster			92,554
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from the California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	73,151
Foster and Kinship Care Education Program	93.658	[1]	74,525
Passed through the California Department of Education			
Child Care and Development Fund (CCDF) Cluster			
Child Care and Development Block Grant	93.575	15136	73,420
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	159,728
Total CCDF Cluster			233,148
Total U.S. Department of Health and Human Services			380,824
U.S. DEPARTMENT OF COMMERCE			
Pass-through California Manufacturers and Technology Consulting (CMTC)			
Manufacturing Extension Partnership	11.611	70NANB15H196	102,722
Total Expenditures of Federal Awards			$ 23,582,082
Student Financial Aid Loan Programs			
Loans Outstanding			
San Bernardino Community College District had the following loan balance outstanding as of July 1, 2017:			
Federal Perkins Loan	84.038		$ 154,833

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

See accompanying note to supplementary information.

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SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
PROP 30 - EPA	$ 12,325,739	$ -	$ 12,325,739
AB104 ADULT ED BLOCK GRANT	9,961,494	1,053,736	11,015,230
AEBG DATA AND ACCOUNTABILITY	-	494,311	494,311
AB86 ADULT CONSORTIUM	-	461,604	461,604
SFAA-BFAP ADM ALLOWANCE	237,965	516,890	754,855
HUNGER FREE CAMPUS SUPPORT	32,593	-	32,593
ZERO TEXTBOOK COST DEGREE	149,840	-	149,840
MESA GRANT	74,515	-	74,515
ENROLLMENT GROWTH/NURSING PGM	182,500	-	182,500
COLLEGE FUTURES FOUNDATION	4,374	-	4,374
AB798 TEXTBOOK AFFORDABILITY	-	23,687	23,687
DREAMER STUDENTS	114,739	-	114,739
VETERANS RESOURCE CENTER	92,606	-	92,606
EOPS-CARE PROGRAM	209,085	-	209,085
EOPS	1,468,569	-	1,468,569
HANDICAPPED STUDENT PROGRAMS	1,244,605	-	1,244,605
CHILD DEVELOPMENT	746,247	-	746,247
STATE PRESCHOOL GRANT	1,797,509	-	1,797,509
CHILD CARE FOOD PROGRAM	12,303	-	12,303
FOSTER PARENTS	91,999	11,750	103,749
YOUTH EMPOWERMENT STR	22,500	-	22,500
STUDENT EQUITY GRANT	1,978,551	621,551	2,600,102
TELECOMMUNICATIONS TECHNOLOGY	-	5,641	5,641
BASIC SKILLS	762,746	228,337	991,083
INSTRUCTIONAL EQUIPMENT ALLOCATION	-	106,220	106,220
BLOCK GRANT FY-98	970,701	1,724,941	2,695,642
STUDENT SUCCESS AND SUPPORT PROGRAM	4,759,695	2,308,330	7,068,025
LOTTERY - RESTRICTED	858,223	-	858,223
3C MEDIA SOLUTIONS	-	291,394	291,394
PROP 39 CLEAN ENERGY FUNDING	541,383	716,709	1,258,092
ALTERNATE TEXT PRODUCTION CENTER	1,700,000	-	1,700,000
EDUCATIONAL PLANNING INITIATIVE	67,500	60,430	127,930
TRANSITIONAL ASSISTANCE	74,649	-	74,649

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
$ 12,325,243	$ 496	$ -	$ -	$ 12,325,739	$ 12,325,739
9,961,494	-	827,302	4,200	9,129,992	9,129,992
494,311	-	90,891	-	403,420	403,420
461,604	-	-	-	461,604	461,604
754,855	-	-	-	754,855	754,855
32,593	-	32,593	-	-	-
-	29,570	-	-	29,570	29,570
-	25,114	-	511	24,603	24,603
-	114,614	-	1,056	113,558	113,558
4,374	-	-	-	4,374	4,374
23,687	-	-	-	23,687	23,687
114,739	-	37,590	-	77,149	77,149
73,839	-	73,839	-	-	-
204,248	-	-	528	203,720	203,720
1,451,034	-	-	1,057	1,449,977	1,449,977
1,244,605	-	-	4,274	1,240,331	1,216,010
390,537	258,001	-	4,642	643,896	643,896
1,489,716	307,793	-	1,817	1,795,692	1,795,692
9,746	2,557	-	-	12,303	12,303
71,858	19,591	-	-	91,449	91,449
11,034	11,466	-	585	21,915	21,915
2,707,762	-	979,513	3,674	1,724,575	1,724,575
5,641	-	5,641	-	-	-
991,083	-	747,683	870	242,530	242,530
96,006	-	96,006	-	-	-
2,695,642	-	1,518,010	-	1,177,632	1,177,632
7,068,025	-	1,324,435	22,552	5,721,038	5,721,038
535,056	324,072	-	906	858,222	858,222
291,394	-	52,712	-	238,682	238,682
1,258,092	-	269,707	-	988,385	988,385
-	1,656,246	-	-	1,656,246	1,656,246
60,430	32,253	60,430	-	32,253	32,253
56,733	16,418	-	-	73,151	73,151

SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2018

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
CALWORKS	$ 901,160	$ -	$ 901,160
TANF WORK STUDY	2,150,000	-	2,150,000
PROP 39 REGION F COLLEGES/SBVC	100,000	-	100,000
EQUAL EMPLOYMENT OPPORTUNITY	50,000	68,555	118,555
SWP IE CYBERHUB CENTERS/RCC	171,000	-	171,000
GUIDED PATHWAYS	497,675	-	497,675
CAMPUS SAFETY AND SEXUAL ASSAULT	36,549	-	36,549
RIVERSIDE COUNTY REGIONAL TRAINING	43,348	-	43,348
STATE OF CALIFORNIA - EDD	190,615	-	190,615
ETP #6	949,916	-	949,916
STRONG WORKFORCE PROGRAM	2,077,381	1,574,185	3,651,566
MIDDLE COLLEGE HIGH SCHOOL	100,000	8,500	108,500
RAMP UP VICTOR VALLEY CC	-	205,411	205,411
ETP#5 16-0111 7/31/2017	72,144	-	72,144
ICT/DIGITAL MEDIA-1042AB	235,000	-	235,000
CALTRANS - PAROLEE WORKCREW 7/16	-	1,932,781	1,932,781
IDRC/ACUTE LABOR 15-198-005	47,341	-	47,341
INNOVATION & EFFECTIVENESS GRANT	-	181,609	181,609
CCC MAKER/SIERRA CC/SBVC & CHC	273,429	-	273,429
ICT/DIGITAL MEDIA 1070 12/31/17	91,735	-	91,735
STAFF DEVELOPMENT	248	-	248
Total State Awards			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
$ 871,559	$ 42,585	$ -	$ 12,983	$ 901,161	$ 901,161
-	131,156	-	-	131,156	131,156
40,000	59,996	428	-	99,568	99,568
118,555	-	90,712	-	27,843	27,843
-	3,695	-	-	3,695	3,695
497,676	-	497,676	-	-	-
36,549	-	36,549	-	-	-
43,348	-	181	-	43,167	43,167
160,255	1,663	-	-	161,918	161,918
149,647	662,013	-	9,624	802,036	802,036
3,651,566	-	2,208,885	4,505	1,438,176	1,438,176
6,344	86,404	-	-	92,748	92,748
184,840	17,540	-	-	202,380	202,380
72,144	-	63,144	-	9,000	9,000
-	209,794	-	-	209,794	209,794
572,194	990,962	-	12,300	1,550,856	1,550,856
-	47,341	-	-	47,341	47,341
181,609	-	48,777	-	132,832	132,832
145,181	128,248	-	-	273,429	273,429
91,735	-	-	-	91,735	91,735
248	-	248	-	-	-
$ 51,708,831	$ 5,179,588	$ 9,062,952	$ 86,084	$ 47,739,383	$ 47,715,062

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	7.53	-	7.53
2. Credit	1,204.61	-	1,204.61
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	34.78	-	34.78
2. Credit	524.34	-	524.34
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,155.28	-	8,155.28
(b) Daily Census Contact Hours	1,462.09	-	1,462.09
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	195.46	-	195.46
(b) Credit	1,084.90	-	1,084.90
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,360.51	-	1,360.51
(b) Daily Census Contact Hours	1,274.66	-	1,274.66
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	15,304.16	-	15,304.16
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit	-	-	-
2. Credit	1,394.04	-	1,394.04
CCFS-320 Addendum			
CDCP Noncredit FTES	75.20	-	75.20

***** Annual report revised as of October 22, 2018

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 17,515,468	$ -	$ 17,515,468	$ 17,515,468	$ -	$ 17,515,468
Other	1300	14,080,429	-	14,080,429	14,080,429	-	14,080,429
Total Instructional Salaries		31,595,897	-	31,595,897	31,595,897	-	31,595,897
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	6,098,239	-	6,098,239
Other	1400	-	-	-	531,460	-	531,460
Total Noninstructional Salaries		-	-	-	6,629,699	-	6,629,699
Total Academic Salaries		31,595,897	-	31,595,897	38,225,596	-	38,225,596
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	16,927,387	-	16,927,387
Other	2300	-	-	-	1,609,583	-	1,609,583
Total Noninstructional Salaries		-	-	-	18,536,970	-	18,536,970
Instructional Aides							
Regular Status	2200	1,461,054	-	1,461,054	1,461,054	-	1,461,054
Other	2400	757,268	-	757,268	757,268	-	757,268
Total Instructional Aides		2,218,322	-	2,218,322	2,218,322	-	2,218,322
Total Classified Salaries		2,218,322	-	2,218,322	20,755,292	-	20,755,292
Employee Benefits	3000	11,403,448	-	11,403,448	22,045,502	-	22,045,502
Supplies and Material	4000	-	-	-	865,648	-	865,648
Other Operating Expenses	5000	119,801	-	119,801	8,939,576	-	8,939,576
Equipment Replacement	6420	-	-	-	482,006	-	482,006
Total Expenditures Prior to Exclusions		45,337,468	-	45,337,468	91,313,620	-	91,313,620

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Student Health Services Above Amount Collected	6441	$ -	$ -	$ -	$ 93,375	$ -	$ 93,375
Objects to Exclude							
Rents and Leases	5060	-	-	-	509,853	-	509,853
Lottery Expenditures							-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 2,151,439	$ -	$ 2,151,439
Capital Outlay							
Equipment	6300	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Exclusions		-	-	-	2,754,667	-	2,754,667
Total for ECS 84362, 50 Percent Law		$ 45,337,468	$ -	$ 45,337,468	$ 88,558,953	$ -	$ 88,558,953
Percent of CEE (Instructional Salary Cost/Total CEE)		51.19%		51.19%	100.00%		100.00%
50% of Current Expense of Education					$ 44,279,477		$ 44,279,477

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	General Fund	KVCR Fund	Capital Project Fund	Self Insurance Fund	Workers' Compensation Fund
FUND BALANCE					
Balance, June 30, 2018, (CCFS-311)	$ 19,259,684	$ 353,793	$ 7,766,916	$ 1,036,648	$ 4,055,998
Post closing entries					
Change in:					
Investments	-	-	-	-	-
Claims liability	-	-		-	(96,538)
Prepaid expense	116,268	6,950	14,021	-	-
Accounts payable	4,471,982	-	-	(4,687)	-
Inter-fund borrowings	1,859,839	-	-	-	-
Balance, June 30, 2018, Audited	$ 25,707,773	$ 360,743	$ 7,780,937	$ 1,031,961	$ 3,959,460

	Retiree Benefit Fund	Student Representation Fee Fund	FCC Auction Proceeds Fund	PARS Trust
FUND BALANCE				
Balance, June 30, 2018, (CCFS-311)	$ 28,840,528	$ 100,157	$ 134,527,139	$ -
Post closing entries				
Change in:				
Investments	-	-	-	(87,972)
Claims liability				
Prepaid expense	-	-	-	-
Accounts payable	-	-	-	-
Inter-fund borrowings	(25,000,000)	49	(50,000,000)	75,000,000
Balance, June 30, 2018, Audited	$ 3,840,528	$ 100,206	$ 84,527,139	$ 74,912,028

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 12,331,857
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 12,331,857	-	-	$ 12,331,857
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Fund	$ 25,707,873	
Special Revenue Funds	720,057	
Capital Project Funds	45,346,694	
Debt Service Funds	32,675,298	
Enterprise Funds	84,527,139	
Internal Service Funds	8,831,949	
Fiduciary Funds	127,994	
Total Fund Balance - All District Funds		**$ 197,937,004**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	693,285,739	
Accumulated depreciation is	(156,136,929)	537,148,810
Less fixed assets already recorded in the enterprise funds		
The District has refunded debt obligations with crossover bonds. These investments are held in an escrow account to pay debt remaining on the books until the crossover date.		49,810,613
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		12,365,125
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	10,041,805	
Net change in proportionate share of net pension liability	21,196,167	
Differences between projected and actual earnings on pension plan investments	1,759,530	
Differences between expected and actual experience in the measurement of the total net pension liability	2,048,875	
Changes of assumptions	18,783,485	
Total Deferred Outflows of Resources Related to Pensions		53,829,862

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	$ (14,855,722)	
Differences between projected and actual earnings on pension plan investments	(1,632,235)	
Differences between expected and actual experience in the measurement of the total pension liability.	(1,068,938)	
Changes of assumptions	(598,855)	
Total Deferred Inflows of Resources Related to Pensions		$ (18,155,750)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of OPEB contributions subsequent to measurement date.		295,696
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(8,219,958)
Aggregate net pension obligation is not due and payable in the current period, and is not reported as a liability in the funds.		(112,150,172)
Long-term obligations at year end consist of:		
Bonds payable	528,468,961	
Compensated absences	3,255,473	
Aggregate net OPEB liability	1,767,948	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	65,280,233	(598,772,615)
		$ 114,088,615

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The Federal Perkins Loans program represents an outstanding loan with the District with continuing compliance requirements. The balance on the outstanding loan at June 30, 2018, was $145,898.

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

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 23,617,588
Student Financial Assistance Cluster	Various	(36,432)
Temporary Assistance for Needy Families (TANF)	93.558	926
Total Expenditures of Federal Awards		$ 23,582,082

Schedule of Expenditures of State Awards

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

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

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

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of San Bernardino Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 19, 2018.

Purpose of This Report

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

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
November 19, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002. Our opinion on each major Federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

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

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

Vavrinek Trine Day & Co. LLP

Rancho Cucamonga, California
November 19, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion for Each of the Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District did not offer Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

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

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

Vavrinek Trine Day & Co. LLP

Rancho Cucamonga, California
November 19, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

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

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

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent significant deficiencies and instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2018-001 Finding

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

Criteria or Specific Requirement

34 CFR section 668.22(c):
If an institution is not required to take attendance, the withdrawal date is (1) the date, as determined by the institution, that the student began the withdrawal process prescribed by the school; (2) the date, as determined by the institution, that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence.

Condition

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

Questioned Costs

No questioned costs.

Context

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

Effect

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

Cause

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

Repeat Finding: Yes

Recommendation

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

Corrective Action Plan

The San Bernardino Valley College Financial Aid Office is updating its procedures for entering student withdrawal dates into its system. When the Financial Aid Specialist enters a student's withdrawal date into the computer system that tracks and makes calculations related to student withdrawals and Title IV funds, the Director of Financial Aid will review and approve the information entered. The Office will check all Title IV calculations for accuracy.

2018-002 Finding

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

Criteria or Specific Requirement

34 CFR sections 668.22(e)(1) and 668.22(e)(2)
The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date. A student earns 100 percent if his or her withdrawal date is after the completion of 60 percent of (1) the calendar days in the payment period or period of enrollment for a program measured in credit hours, or (2) the clock hours scheduled to be completed for the payment period or period of enrollment for a program measured in clock hours.

Condition

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

Questioned Costs

No questioned costs.

Context

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

Effect

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

Cause

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

Repeat Finding: No

Recommendation

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

Corrective Action Plan

The San Bernardino Valley College Financial Aid Office is updating its procedures to ensure that withdrawal dates, student status, and enrolled units are correctly and timely entered into its system. The Office will verify that Return to Title IV calculations are performed accurately and timely for reporting to the U.S. Department of Education.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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

Federal Awards Findings

2017-001 Special Test and Provisions

Federal Program Affected

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

Criteria or Specific Requirement

34 CFR section 668.22(j):

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

34 CFR Section 668.173(b):

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

Condition

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

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

Questioned Costs

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

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

Context

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

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

Effect

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

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

Cause

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

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

Recommendation

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

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

Current Status

Not implemented. See current year finding 2018-001.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

State Awards Findings

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

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Bernardino Community College District (the "District") in connection with the issuance of (i) $_________ San Bernardino Community College District (San Bernardino, California) Election of 2018 General Obligation Bonds, Series A (Federally Tax-Exempt) (ii) $_________ San Bernardino Community College District (San Bernardino, California) Election of 2018 General Obligation Bonds, Series A-1 (Federally Taxable) and (iii) $_________ of the District's 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to Resolutions of the District adopted on November 14, 2019 (collectively, the "Resolutions"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Applied Best Practices LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Rulemaking Board consistent with the Rule.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Sections 5(a) or (b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement, dated as of __________, 2019, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean, Piper Jaffray & Co., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(A) State funding received by the District for the last completed fiscal year;

(B) Full time equivalent student counts of the District for the last completed fiscal year;

(C) outstanding District indebtedness;

(D) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

(E) assessed valuation of taxable property within the District, for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties; and

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. appointment of a successor or additional paying agent with respect to the Bonds or the change of name of such paying agent.

8. incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: __________, 2019

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

By ____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District:	SAN BERNARDINO COMMUNITY COLLEGE DISTRICT
Name of Bond Issue:	Election of 2018 General Obligation Bonds, Series A (Federally Tax-Exempt) Election of 2018 General Obligation Bonds, Series A-1 (Federally Taxable) 2019 General Obligation Refunding Bonds (Federally Taxable)
Date of Issuance:	_______________, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

By _______[form only; no signature required]_________

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SAN BERNARDINO, SAN BERNARDINO COUNTY AND RIVERSIDE COUNTY

The following information regarding the City of San Bernardino (the "City"), San Bernardino County (the "County") and Riverside County (collectively, the "Counties") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the Counties. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

The City of San Bernardino. The City is located in San Bernardino County and serves as the County seat. The City lies on the floor of the San Bernardino Valley, south of the San Bernardino Mountains and has an area of 81 square miles. It is the 17th largest city in the State of California (the "State") and the largest city in the County. The City lies 60 miles east of Los Angeles and 120 miles northeast of San Diego. The City was incorporated in 1854. The City government operates under a hybrid mayor-council-city manager form. The mayor is elected by the voters at large, as are the seven members of the city council, each elected within their respected wards. The mayor and council members serve four-year terms.

San Bernardino County. The County is located in the southern portion of the State. The County is bordered by the State of Nevada to the east, Riverside County to the south, Inyo County to the north and Kern, Los Angeles and Orange Counties to the west. It is the fifth most populous county in the State and the twelfth most populous in the United States. The County has an area of 20,160 square miles, with more than three-quarters of the area vacant and covered by desert, forest and mountain ranges. The County is governed by a five-member Board of Supervisors, each elected from their districts. The County was established on May 23, 1853. The County seat is San Bernardino.

Riverside County. Riverside County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County has experienced a long period of growth and development. It is currently the eleventh most populous county in the United States, and fourth largest in the State. The County, incorporated in 1893, is a general law county with its seat located in the city of Riverside.

Population

The following table below shows historical population figures for the City, the Counties and the State from 2010 through 2019.

POPULATION ESTIMATES
2010 through 2019
City of San Bernardino, San Bernardino County, Riverside County and State of California

Year [1]	City of San Bernardino	San Bernardino County	Riverside County	State of California
2010[2]	209,924	2,035,210	2,189,641	37,253,956
2011	211,260	2,058,416	2,217,946	37,594,781
2012	212,924	2,076,145	2,246,951	37,971,427
2013	214,334	2,090,945	2,272,031	38,321,459
2014	214,091	2,104,088	2,295,798	38,622,301
2015	215,292	2,123,562	2,321,837	38,952,462
2016	216,834	2,136,242	2,350,992	39,214,803
2017	218,514	2,156,115	2,384,660	39,504,609
2018	218,992	2,171,517	2,412,536	39,740,508
2019	219,233	2,192,203	2,440,124	39,927,315

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2011-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

Income

The following table shows per capita personal income for the Counties, the State and the United States from 2008 through 2017.

PER CAPITA PERSONAL INCOME[1]
2008 through 2017
San Bernardino County, Riverside County, State of California and the United States

Year	San Bernardino County	Riverside County	State of California	United States
2008	$30,150	$31,627	$43,895	$40,904
2009	29,122	30,451	42,050	39,284
2010	29,557	30,685	43,609	40,545
2011	31,051	32,179	46,145	42,727
2012	31,703	32,707	48,751	44,582
2013	32,404	33,383	49,173	44,826
2014	34,218	34,732	52,237	47,025
2015	36,245	36,603	55,679	48,940
2016	37,514	37,827	57,497	49,831
2017	38,816	39,261	59,796	51,640

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2017 reflect county population estimates available as of March 2018. All dollar estimates are in current dollars (not adjusted for inflation). Data for 2018 is not yet available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the City, the Counties, the State and the United States from 2014 through 2018.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
2014 through 2018[1]
City of San Bernardino, San Bernardino County,
Riverside County, State of California and the United States

Year and Area	Labor Force	Employment[2]	Unemployment	Unemployment Rate (%)[3]
2014				
City of San Bernardino	82,200	73,900	8,300	10.1
San Bernardino County	905,400	833,000	72,500	8.0
Riverside County	1,011,100	928,300	82,900	8.2
State of California	18,714,700	17,310,900	1,403,800	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of San Bernardino	82,900	76,100	6,800	8.2
San Bernardino County	920,000	860,800	59,200	6.4
Riverside County	1,034,200	965,000	69,300	6.7
State of California	18,851,100	17,681,800	1,169,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of San Bernardino	83,200	77,200	6,000	7.2
San Bernardino County	930,900	877,200	53,700	5.8
Riverside County	1,052,400	988,100	64,300	6.1
State of California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of San Bernardino	84,000	78,600	5,300	6.3
San Bernardino County	944,300	897,800	46,500	4.9
Riverside County	1,073,400	1,017,100	56,300	5.2
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
City of San Bernardino	85,200	80,800	4,400	5.2
San Bernardino County	961,000	922,300	38,800	4.0
Riverside County	1,092,400	1,044,600	47,800	4.4
State of California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018 Benchmark.

Industry

The County is included in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

LABOR FORCE AND INDUSTRY EMPLOYMENT ANNUAL AVERAGES
2014 through 2018
San Bernardino County (Riverside-San Bernardino-Ontario MSA)

Category	2014	2015	2016	2017	2018
Total Farm	14,400	14,800	14,600	14,500	14,500
Total Nonfarm	1,290,400	1,354,400	1,403,200	1,454,900	1,504,200
Total Private	1,061,600	1,121,100	1,160,900	1,203,900	1,246,600
Goods Producing	170,300	183,100	191,600	197,600	207,300
Mining and Logging	1,300	1,300	900	1,000	1,200
Construction	77,600	85,700	92,000	97,400	104,800
Manufacturing	91,400	96,200	98,700	99,200	101,300
Durable Goods	60,200	63,100	64,400	64,100	65,100
Nondurable Goods	31,200	33,100	34,300	35,200	36,200
Service Providing	1,120,100	1,171,200	1,211,700	1,257,300	1,296,900
Private Service Providing	891,300	937,900	969,400	1,006,300	1,039,300
Trade, Transportation and Utilities	314,800	333,100	347,900	365,500	378,300
Wholesale Trade	58,100	60,500	61,600	62,600	64,900
Retail Trade	169,600	174,400	178,300	180,900	180,800
Transportation, Warehousing and Utilities	87,100	98,100	108,000	122,100	132,600
Information	11,300	11,400	11,500	11,300	11,200
Financial Activities	42,900	44,000	44,600	44,200	43,700
Professional and Business Services	138,700	147,400	144,900	146,900	150,600
Educational and Health Services	195,900	206,300	215,700	226,700	240,000
Leisure and Hospitality	144,800	151,700	160,200	166,300	170,000
Other Services	43,000	44,000	44,600	45,400	45,600
Government	228,800	233,300	242,300	251,000	257,500
Total, All Industries	1,304,800	1,369,100	1,417,900	1,469,400	1,518,700

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Industry Employment & Labor Force – by Annual Average. March 2018 Benchmark.

Principal Employers

The following tables list the principal employers located in the Counties.

PRINCIPAL EMPLOYERS
2018
San Bernardino County

Company	Description	Employees
County of San Bernardino	Public Administration	10,000+
Loma Linda University Medical Center	Health Services	10,000+
Amazon	Technology company focusing in e-commerce, cloud computing, and artificial intelligence	10,000+
State of California	Government	10,000+
Kaiser Permanente	Insurance Agents, Brokers, and Service	5,000-9,999
Wal-Mart	Retail Trade: Department/Food Stores	5,000-9,999
San Bernardino City Unified School District	Educational Services	5,000-9,999
Stater Bros. Market	Retail Trade: Food Stores	5,000-9,999
United States Government	Government	5,000-9,999
United Parcel Service	Transportation of Freight and Cargo	5,000-9,999

Source: "Comprehensive Annual Financial Report" of San Bernardino County, California for the fiscal year ended June 30, 2018.

PRINCIPAL EMPLOYERS
2018
Riverside County

Employer Name	Industry	Number of Employees
County of Riverside	Public Administration	22,038
March Air Reserve Base	National Security	9,000
University of California Riverside	Services: Education	8,829
Kaiser Permanente Riverside Medical Center	Services: Health	5,500
Corona-Norco Unified School District	Services: Education	5,478
Pechanga Resort and Casino	Resort Casino	4,750
Riverside Unified School District	Services: Education	4,200
Hemet Unified School District	Services: Education	4,058
Riverside University Health Care Systems	Medical Center	3,965
Morongo Casino Resort and Spa	Resort Casino	3,800

Source: County of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

Commercial Activity

Summaries of annual taxable sales for the City and the Counties from 2015 through 2018 are shown in the following tables.

ANNUAL TAXABLE SALES
2015 through 2018
City of San Bernardino
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	5,539	$2,380,149	7,110	$2,868,852
2016	5,642	2,457,549	7,333	2,988,983
2017	5,598	2,573,089	7,313	3,101,215
2018	5,635	2,677,252	7,625	3,261,802

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2015 through 2018
San Bernardino County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	37,696	$23,384,548	56,128	$35,580,276
2016	38,370	24,477,003	57,629	37,216,551
2017	39,067	25,603,171	58,956	38,399,373
2018	39,837	26,905,784	61,838	40,554,024

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

TAXABLE SALES
2015-2018
Riverside County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	37,304	$23,537,475	55,857	$33,166,600
2016	38,378	24,274,686	57,742	34,483,694
2017	38,967	25,856,341	58,969	36,407,460
2018	39,577	28,042,692	61,433	38,919,498

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
City of San Bernardino
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$36,608	$36,100	$16,064	$6,804	$21,342
Non-Residential	112,312	138,704	88,221	172,915	175,647
Total	$148,920	$174,804	$104,285	$179,719	$196,989
Units					
Single Family	62	38	33	19	72
Multiple Family	50	47	62	0	16
Total	112	85	95	19	88

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2014 through 2018
San Bernardino County
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$708,471	$1,056,572	$888,142	$1,366,023	$1,455,281
Non-Residential	958,267	1,146,722	994,282	1,285,597	1,080,130
Total	$1,666,738	$2,203,294	$1,882,424	$2,651,620	$2,535,411
Units					
Single Family	1,937	2,753	2,896	4,253	3,311
Multiple Family	1,266	1,159	976	2,578	1,775
Total	3,203	3,912	3,872	6,831	5,086

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2014 through 2018
Riverside County
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation					
Residential	$1,621,751	$1,536,742	$1,759,535	$1,903,417	$2,558,081
Non-residential	814,990	911,465	1,346,020	1,433,691	1,959,680
Total	$2,436,741	$2,448,207	$3,105,555	$3,337,108	$4,517,761
Units					
Single family	5,007	5,007	5,662	6,265	7,540
Multiple family	1,931	1,189	1,039	1,070	1,628
Total	6,938	6,196	6,701	7,335	9,168

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board

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APPENDIX E

SAN BERNARDINO COUNTY TREASURY POOL

The following information concerning the San Bernardino County (the "County") Treasury Pool (the "Treasury Pool") has been provided by the Treasurer-Tax Collector of the County (the "Treasurer"), and has not been confirmed or verified by the District or the Underwriter. Neither the District nor the Underwriter has made an independent investigation of the investments in the Treasury Pool nor any assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer may change the investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter makes any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained is correct as of any time subsequent to its date. Further information may be obtained from the Treasurer at the following website: https://www.mytaxcollector.com/. However, the information presented on such website is not incorporated into this Official Statement by any reference.

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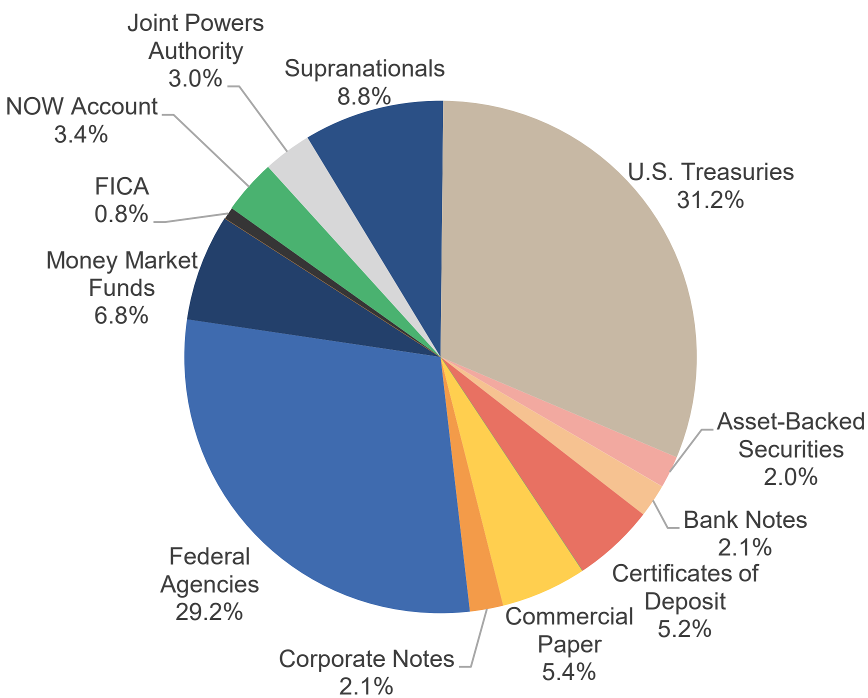
San Bernardino County Pool Summary (as of 9/30/2019)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity at Cost	Wtd. Avg. Maturity	Modified Duration
Asset-Backed Securities	132,600,000.00	132,820,196.72	133,474,259.92	2.0%	2.37%	1187	1.60
Bank Notes	137,000,000.00	137,045,123.86	137,817,115.00	2.1%	2.56%	599	1.59
Certificates of Deposit	340,000,000.00	340,000,000.00	339,797,625.75	5.2%	2.18%	105	0.28
Collateralized CD	0.00	0.00	0.00	-	-	-	-
Commercial Paper	355,000,000.00	354,140,221.75	354,170,145.00	5.4%	2.22%	42	0.11
Corporate Notes	137,050,000.00	136,467,580.33	138,075,540.30	2.1%	2.64%	595	1.57
Federal Agencies	1,900,698,000.00	1,900,966,718.47	1,919,287,379.40	29.2%	2.22%	618	1.63
Money Market Funds	444,000,000.00	444,000,000.00	444,000,000.00	6.8%	1.85%	1	-
Municipal Debt	0.00	0.00	0.00	-	-	-	-
Repurchase Agreements	0.00	0.00	0.00	-	-	-	-
Bank Deposit Account	50,000,000.00	50,000,000.00	50,000,000.00	0.8%	1.80%	1	-
NOW Account	225,000,000.00	225,000,000.00	225,000,000.00	3.4%	2.10%	1	-
Joint Powers Authority	200,000,000.00	200,000,000.00	200,000,000.00	3.0%	2.12%	1	-
Supranationals	580,000,000.00	577,802,610.05	581,954,580.00	8.8%	2.13%	385	1.02
U.S. Treasuries	2,050,000,000.00	2,034,748,474.25	2,053,577,675.00	31.2%	2.13%	705	1.87
Total Securities	**6,551,348,000.00**	**6,532,990,925.43**	**6,577,154,320.37**	**100.0%**	**2.16%**	**492**	**1.30**
Cash Balance	263,849,360.85	263,849,360.85	263,849,360.85				
Total Investments	**6,815,197,360.85**	**6,796,840,286.28**	**6,841,003,681.22**				
Accrued Interest		26,661,582.57	26,661,582.57				
Total Portfolio	**6,815,197,360.85**	**6,823,501,868.85**	**6,867,665,263.79**				

1. Yield for the money market funds is a weighted average of the month-end yields for the Federated, Goldman, and Fidelity money market funds.
2. Statistics for the total portfolio include money market funds.
3. Market prices are derived from closing bid prices as of the last business day of the month as supplied by F.T. Interactive Data, Bloomberg, or Telerate.

Sector Distribution

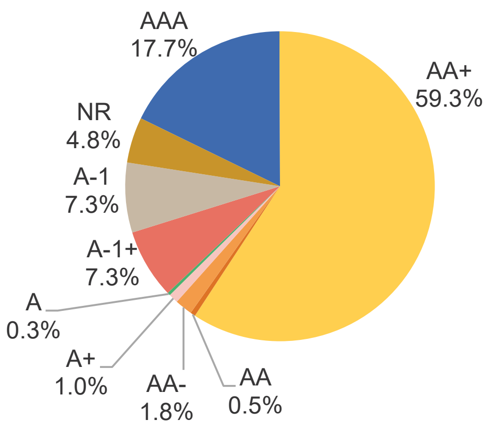


Sector	Market Value
Asset-Backed Securities	$133,474,260
Bank Notes	$137,817,115
Certificates of Deposit	$339,797,626
Collateralized CD	$0
Commercial Paper	$354,170,145
Corporate Notes	$138,075,540
Federal Agencies	$1,919,287,379
Money Market Funds	$444,000,000
Municipal Debt	$0
Repurchase Agreements	$0
FICA	$50,000,000
NOW Account	$225,000,000
Joint Powers Authority	$200,000,000
Supranationals	$581,954,580
U.S. Treasuries	$2,053,577,675

Percentages may not sum to 100% due to rounding.

Credit Quality Distribution

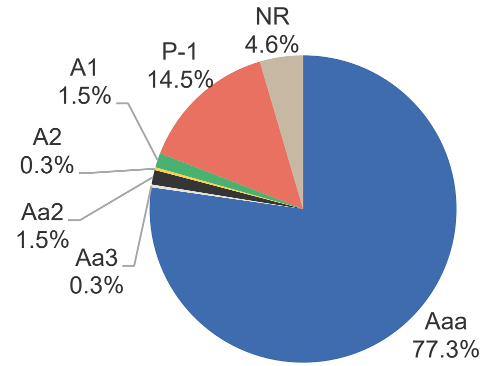
S&P RATINGS



Credit Rating	Market Value
A-1+ (Short-Term)	$477,432,031
A-1 (Short-Term)	$479,208,139
AAA (Long-Term)	$1,165,854,016
AA+ (Long-Term)	$3,901,279,259
AA (Long-Term)	$34,448,427
AA- (Long-Term)	$120,133,231
A+ (Long-Term)	$65,331,629
A (Long-Term)	$20,186,970
Not Rated	$313,280,618

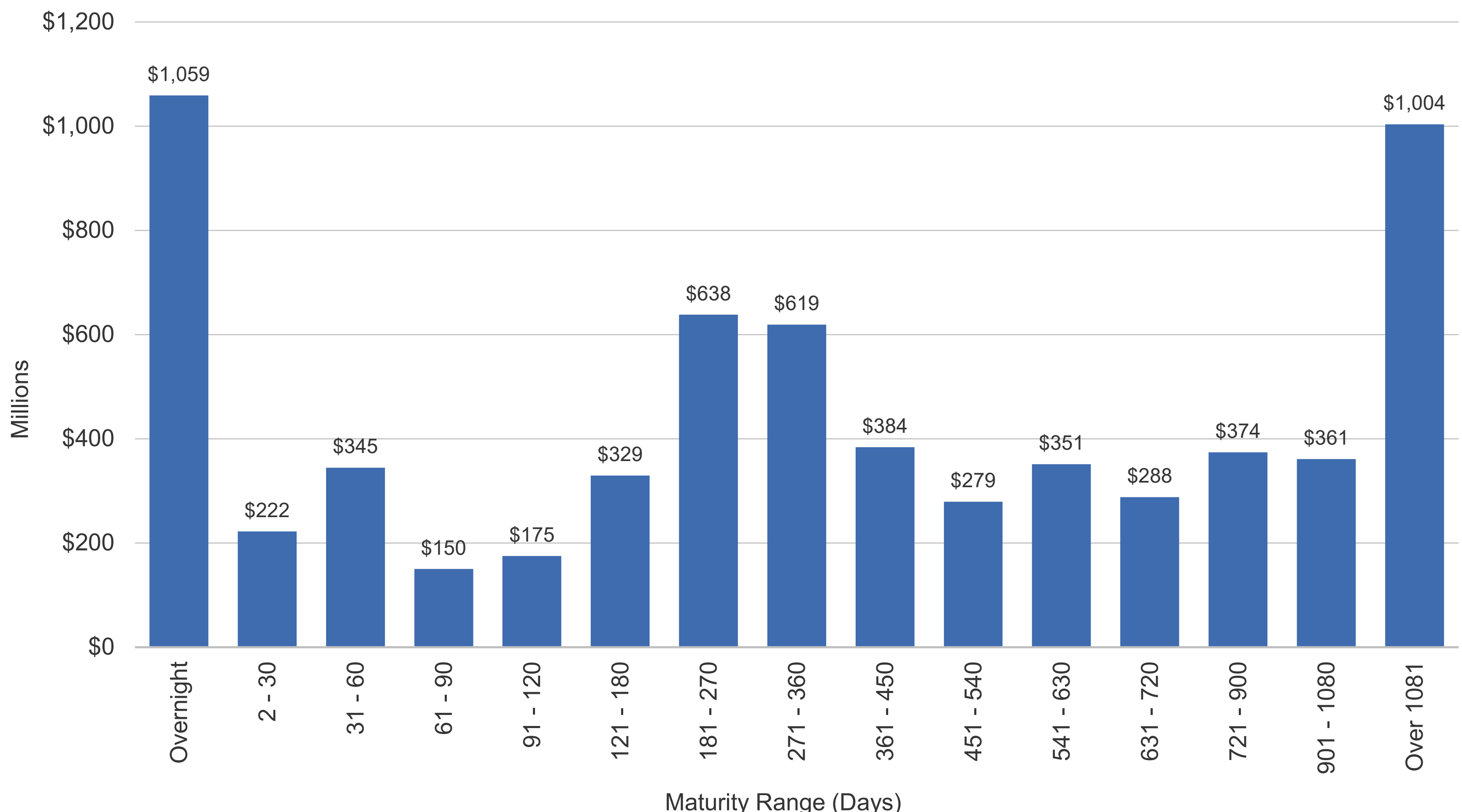
Percentages may not sum to 100% due to rounding.

MOODY'S RATINGS



Credit Rating	Market Value
P-1 (Short-Term)	$956,640,170
Aaa (Long-Term)	$5,081,141,584
Aa3 (Long-Term)	$20,247,510
Aa2 (Long-Term)	$99,780,057
Aa1 (Long-Term)	$0
A3 (Long-Term)	$0
A2 (Long-Term)	$20,186,970
A1 (Long-Term)	$99,885,721
Not Rated	$299,272,308

Maturity Distribution



Maturity range assumes no securities are called.

San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
September 2018	1.93%
October 2018	2.01%
November 2018	2.03%
December 2018	2.11%
January 2019	2.15%
February 2019	2.18%
March 2019	2.21%
April 2019	2.25%
May 2019	2.25%
June 2019	2.27%
July 2019	2.25%
August 2019	2.24%
September 2019	**2.16%**

1. Gross yields not including non-earning assets (compensating bank balances) or administrative costs for management of the pool.
2. All historical yields restated to include money market funds.