

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 DECEMBER 1, 2017**

**NEW ISSUE—FULL BOOK-ENTRY**

**RATINGS**  
**Moody's: "Aa2"; S&P: "AA"**  
**(See "MISCELLANEOUS – Ratings" herein)**

*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 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 and corporations. 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.*

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**(San Bernardino and Riverside Counties, California)**

**\$13,500,000\***  
**2017 General Obligation Refunding Bonds, Series A**  
**(2019 Crossover)**

**\$37,000,000\***  
**2017 General Obligation Refunding Bonds, Series B**

**Dated: Date of Delivery**

**Due: August 1, as shown on the 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 not otherwise defined shall have the meanings set forth herein.*

The San Bernardino Community College District (San Bernardino and Riverside Counties, California) 2017 General Obligation Refunding Bonds, Series A (2019 Crossover) (the "Series A Bonds"), are being issued by the San Bernardino Community College District (the "District") to (i) advance refund, on a crossover basis, all or a portion of the District's outstanding Election of 2002 Taxable General Obligation Bonds (Build America Bonds – Direct Payment to District) Series E, and (ii) pay the costs of issuing the Series A Bonds.

The San Bernardino Community College District (San Bernardino and Riverside Counties, California) 2017 General Obligation Refunding Bonds, Series B (the "Series B Bonds," and, together with the Series A Bonds, the "Bonds"), are being issued by the District to (i) advance refund a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series B and (ii) pay the costs of issuing the Series B Bonds.

**Prior to August 1, 2019 (the "Crossover Date"), the Series A Bonds shall be secured by and payable solely from proceeds of the Series A Bonds deposited into an escrow subaccount established therefor.** From and after the Crossover Date, the Series A Bonds shall, without any further action on the part of the District or the Owners or Beneficial Owners of the Series A Bonds, constitute general obligations of the District payable solely from *ad valorem* property taxes. From and after the Crossover Date, the Boards of Supervisors of San Bernardino County and Riverside County (collectively, the "County Boards") shall be empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series A Bonds when due.

The Series B Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Boards are empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of the Conversion Value of and interest on the Series B 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 of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Series A Bonds will be issued as current interest bonds (the "Current Interest Bonds") and the Series B Bonds will be issued as convertible capital appreciation bonds (the "Convertible Capital Appreciation Bonds"). Interest on the Current Interest Bonds accrues from their Date of Delivery and is payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2018. During the period prior to August 1, 2019 (the "Conversion Date"), the Convertible Capital Appreciation Bonds will not pay current interest, but will instead accrete interest from their date of delivery to the Conversion Date, such interest compounded semiannually on February 1 and August 1, commencing on February 1, 2018. From and after the Conversion Date, the Convertible Capital Appreciation Bonds will pay interest on a current basis, with such interest accruing based upon the Accreted Value of such Bonds at the Conversion Date (the "Conversion Value"), payable semiannually on each February 1 and August 1, commencing on February 1, 2020. No payment will be made to the Owners of Convertible Capital Appreciation Bonds on the Conversion Date. The Current Interest Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. The Convertible Capital Appreciation Bonds are issuable in denominations of \$5,000 Conversion Value, or any integral multiple thereof.

Payments of principal of and interest on and Conversion Value of the Bonds will be made by The Bank of New York Mellon Trust Company, N.A. as the designated Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

**The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity, as stated herein.\***

**Maturity Schedule**  
**(See inside front cover)**

*The Bonds are offered when, as and if issued, and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that 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 December \_\_, 2017.*

**PiperJaffray**

Dated: \_\_\_\_\_, 2017

\* Preliminary, subject to change

## MATURITY SCHEDULES\*

\$13,500,000\*

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**(San Bernardino and Riverside Counties, California)**  
**2017 General Obligation Refunding Bonds, Series A**  
**(2019 Crossover)**

Base CUSIP<sup>(1)</sup>: 796720

\$ \_\_\_\_\_ Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Suffix<sup>(1)</sup></u>
	\$	%	%	

\$ \_\_\_\_\_ – \_\_\_\_\_ % Term Bonds due August 1, 20\_\_ – Yield \_\_\_\_\_ %; CUSIP Suffix<sup>(1)</sup>: \_\_\_\_

\$37,000,000\*

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**(San Bernardino and Riverside Counties, California)**  
**2017 General Obligation Refunding Bonds, Series B**

Base CUSIP<sup>(1)</sup>: 796720

\$ \_\_\_\_\_ Convertible Capital Appreciation Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Conversion</u> <u>Value</u>	<u>Conversion</u> <u>Date</u> <u>August 1</u>	<u>Coupon</u> <u>Upon</u> <u>Conversion</u>	<u>Yield</u> <u>After</u> <u>Conversion</u>	<u>CUSIP</u> <u>Suffix<sup>(1)</sup></u>
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\$ \_\_\_\_\_ Convertible Capital Appreciation Term Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Denominational</u> <u>Amount</u>	<u>Accretion</u> <u>Rate</u>	<u>Conversion</u> <u>Value</u>	<u>Conversion</u> <u>Date</u> <u>August 1</u>	<u>Coupon</u> <u>Upon</u> <u>Conversion</u>	<u>Yield</u> <u>After</u> <u>Conversion</u>	<u>CUSIP</u> <u>Suffix<sup>(1)</sup></u>
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\* Preliminary, subject to change.

<sup>(1)</sup> 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. None of the Underwriter, the Municipal Advisor or 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, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable 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 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 by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. 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.

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable, but such information 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 THAT WHICH 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 AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented there is not part of this Official Statement, is not incorporated herein by any reference, and should not be relied upon in making an investment decision with respect to the Bonds.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

**Board of Trustees**

Joseph Williams, *President*  
Gloria Macías Harrison, *Vice President*  
Donna Ferracone, *Clerk*  
John Longville, *Trustee*  
Frank Reyes, *Trustee*  
Dr. Donald L. Singer, *Trustee*  
Dr. Anne L. Viricel, *Trustee*

**District Administration**

Bruce Baron, *Chancellor*  
Jose F. Torres, *Vice Chancellor, Business and Fiscal Services*

**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
*San Francisco, California*

**Municipal Advisor**

Fieldman, Rolapp & Associates, Inc.  
*Irvine, California*

**Paying Agent and Escrow Agent**

The Bank of New York Mellon Trust Company, N.A.  
*Los Angeles, California*

**Verification Agent**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

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<sup>(1)</sup> The Board of Trustees is expected to accept the 2016-17 Audited Financial Statements at the Board meeting to be held December 14, 2017.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**  
**(San Bernardino and Riverside Counties, California)**

**\$13,500,000\***  
**2017 General Obligation Refunding Bonds,**  
**Series A**  
**(2019 Crossover)**

**\$37,000,000\***  
**2017 General Obligation Refunding Bonds,**  
**Series B**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the (i) San Bernardino Community College District (San Bernardino and Riverside Counties, California) 2017 General Obligation Refunding Bonds, Series A (2019 Crossover) (the “Series A Bonds”) and (ii) San Bernardino Community College District (San Bernardino and Riverside Counties, California) 2017 General Obligation Refunding Bonds, Series B the “Series B Bonds,” and, together with the Series A 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 also owns and operates KVCR, a TV and radio station. The District has approximately 25,000 full and part-time students and serves a resident population of approximately 1.5 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 2017-18 assessed valuation of \$65,881,277,414.

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.

For more information about the District generally, see “SAN BERNARDINO COMMUNITY COLLEGE DISTRICT” herein. For more information regarding the District’s assessed valuation, see “DISTRICT TAX BASE” herein. The District’s audited financial statements for fiscal year ended June 30, 2017 are attached hereto as APPENDIX B and should be read in their entirety. The discussion of the District’s financial history and financial information contained herein do not purport to be complete or definitive.

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\* Preliminary, subject to change.

## **Purpose of the Bonds**

**Series A Bonds.** The Series A Bonds are being issued to (i) advance refund, on a crossover basis, all or a portion of the District's outstanding Election of 2002 Taxable General Obligation Bonds (Build America Bonds – Direct Payment to District) Series E (the “2002 Series E Bonds”), and (ii) pay the costs of issuing the Series A Bonds.

**Series B Bonds.** The Series B Bonds are being issued to (i) advance refund a portion of the District's outstanding Election of 2008 General Obligation Bonds, Series B (the “2008 Series B Bonds”) and (ii) pay the costs of issuing the Series B Bonds. The 2002 Series E Bonds and the 2008 Series B Bonds to be refunded with the proceeds of the Bonds are referred to herein as the “Refunded Bonds.”

## **Authority for Issuance of the Bonds**

The Bonds are issued pursuant to certain provisions of the California Government Code and other applicable law, and pursuant to a resolution adopted by the Board on November 30, 2017 (the “Resolution”). See “THE BONDS – Authority for Issuance” herein.

## **Security and Sources of Payment for the Bonds**

**Series A Bonds.** Prior to August 1, 2019 (the “Crossover Date”), the Series A Bonds will be secured by and payable solely from amounts on deposit in an escrow subaccount established therefor. From and after the Crossover Date, the Series A Bonds shall, without further action on the part of the District or the Owners or Beneficial Owners thereof (as defined herein), constitute general obligations of the District payable solely from the proceeds of ad valorem property taxes. From and after the Crossover Date, the Boards of Supervisors of the Counties (the “County Boards”) shall be empowered and obligated to levy such ad valorem taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series A Bonds when due.

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

See also “THE BONDS – Security and Sources of Payment” and “DISTRICT TAX BASE” herein.

## **Description of the Bonds**

**Current Interest Bonds and Convertible Capital Appreciation Bonds.** The Series A Bonds will be issued as current interest bonds (the “Current Interest Bonds”), and the Series B Bonds will be issued as convertible capital appreciation bonds (the “Convertible Capital Appreciation Bonds”).

The Current Interest Bonds will mature on August 1 in the years indicated on the inside front cover page hereof. The accreted value (the “Accreted Value”) of any Convertible Capital Appreciation Bond is equal to the sum of its initial principal amount (the “Denominational Amount”) and the interest accreting thereon between the delivery date thereof and the date of calculation of such Accreted Value.



During the period prior to August 1, 2019 (the “Conversion Date”), the Convertible Capital Appreciation Bonds will not pay interest on a periodic basis but will instead accrete in value from their respective Denominational Amounts through the Conversion Date. From and after the Conversion Date, the Convertible Capital Appreciation Bonds will bear periodic interest, with such interest accruing based upon the Accreted Value thereof as of the Conversion Date (such amount referred to herein as the “Conversion Value”). No payment will be made to Owners of Convertible Capital Appreciation Bonds on or prior to the Conversion Date.

***Form and Registration.*** The Bonds will be issued in fully registered form only, without coupons. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. 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 – Book-Entry Only System” herein. 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 described herein. 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 captions “INTRODUCTION – Tax Matters” and “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 in the denominations of \$5,000 principal amount or Conversion Value, or any integral multiple thereof.

***Redemption.\**** The Bonds are subject to redemption prior to their stated maturity dates as further described herein. See also “THE BONDS – Redemption” herein.

***Payments.*** Interest on the Current Interest Bonds accrues from their initial date of delivery (the “Date of Delivery”), and is payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing on February 1, 2018. Principal of the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside front cover page hereof.

Convertible Capital Appreciation Bonds prior to the Conversion Date will accrete in value from their Denominational Amounts on the Date of Delivery to their respective Conversion Value, at the accretion rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing February 1, 2018. The Conversion Value of the Convertible Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) according to the amounts set forth in the accreted values table as shown in APPENDIX F hereto. Following the Conversion Date, interest on the Convertible Capital Appreciation Bonds accrues from such Conversion Date and is payable on each February 1 and August 1 (such dates constituting Bond Payment Dates for the purposes thereof), commencing on February 1, 2020.

Payments of the principal of and interest on and Conversion Value of the Bonds will be made by The Bank of New York Mellon Trust Company, N.A. as the designated paying agent, bond registrar and transfer agent (collectively, the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners.

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\* Preliminary, subject to change.

## **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, 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 and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to certain tax consequences of ownership of the Bonds.

## **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 in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about December \_\_\_, 2017.

## **Bond Owner’s Risks**

The Series B Bonds, as well as the Series A Bonds from and after the Crossover Date, are and shall be, as applicable, general obligations of the District payable solely from *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 related thereto see “DISTRICT TAX BASE” and “LIMITATIONS ON REMEDIES; BANKRUPTCY” herein. Prior to the Crossover Date, the Series A Bonds will be secured by and payable solely from proceeds of the Series A Bonds deposited into an escrow subaccount established therefor. See “THE BONDS – Application and Investment of Bond Proceeds” herein.

## **Continuing Disclosure**

The District will covenant for the benefit of Owners and Beneficial Owners of the Bonds 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 order to assist the Underwriter (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “LEGAL MATTERS – Continuing Disclosure” herein. 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 – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

## **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,” “intend,” “estimate,” “project,” “budget” 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.

### **Professionals Involved in the Offering**

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel and Disclosure Counsel to the District and Fieldman, Rolapp & Associates, Inc, Irvine, California, acting as Municipal Advisor to the District with respect to the Bonds, will each receive compensation from the District contingent upon the sale and delivery of the Bonds. In addition to acting as Paying Agent for the Bonds, The Bank of New York Mellon Trust Company, N.A., will act as Escrow Agent (defined herein) for the Refunded Bonds. Certain matters will be passed on for the Underwriter by Kutak Rock LLP, Denver, Colorado. Causey Demgen & Moore P.C., Denver, Colorado, is acting as verification agent for the Bonds and the Refunded Bonds.

### **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 San Bernardino Community College District, 114 South Del Rosa Drive, 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.

Certain of 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 Resolution.

## THE BONDS

### Authority for Issuance

The 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, commencing with Section 53550 *et seq.*, and other applicable law, and pursuant to the Resolution.

### Security and Sources of Payment

***The Series A Bonds.*** Prior to the Crossover Date, the Series A Bonds will be secured by and payable solely from monies on deposit in an escrow subaccount established therefor. From and after the Crossover Date, the Series A Bonds shall, without further action on the part of the District or the Owners or Beneficial Owners of the Series A Bonds, constitute general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. From and after the Crossover Date, the County Boards will be empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series A Bonds when due.

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

***General.*** *Ad valorem* property taxes levied to pay the Bonds will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest thereon when due, as described above. The levy of *ad valorem* property taxes for payment of the Bonds 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 any of the Bonds, and the District can make no representations that the Counties will do so. Such taxes, when collected, will be placed by the Counties in the respective Debt Service Funds (defined herein) created by the Resolution, 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 interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in each Debt Service Fund to the payment of the respective series of Bonds to which such fund relates. Although the Counties are obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and the County will maintain the Debt Service Funds, the Bonds are not a debt of either of the Counties.

Moneys in each Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series A Bonds as the same become due and payable, and, from and after the Crossover Date, the Conversion Value of and interest on the Series B Bonds, as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds. Prior to the Crossover Date, funds for the payment of the

Series A Bonds will be remitted to the Paying Agent from the Escrow Subaccount (defined herein) established for the Series A 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 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 land 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, flood, fire, 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 XIII A of the California Constitution" and "DISTRICT TAX BASE" herein.

### **Statutory Lien**

Pursuant to California 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, both as to principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California 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* 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 interest in the Bonds.

**Current Interest Bonds.** Interest on the Current Interest Bonds accrues from the Date of Delivery thereof, and is payable semiannually on each Bond Payment Date, commencing on February 1, 2018. Interest on the Current Interest Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Current Interest Bond will 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 next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event

it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2018, in which event it shall bear interest from the Date of Delivery. The Current Interest 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 inside front cover page hereof.

***Convertible Capital Appreciation Bonds.*** Interest on each Convertible Capital Appreciation Bond prior to the Conversion Date is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Date of Delivery to the date for which Accreted Value is calculated. The Accreted Value of a Convertible Capital Appreciation Bond is calculated by discounting, on a 30-day month, 360-day year basis, its Conversion Value, on the basis of a constant interest rate (the “Accretion Rate”) compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 and August 1.

During the period prior to the Conversion Date, the Convertible Capital Appreciation Bonds will not bear interest on a periodic basis but will instead accrete in value to an amount equal to the Conversion Value. The Conversion Value represents the Denominational Amount thereof plus interest accreted thereon through the Conversion Date, at the Accretion Rate set forth on the inside cover page hereof, compounded semiannually on each February 1 and August 1 commencing on February 1, 2018. Following the Conversion Date, the Convertible Capital Appreciation Bonds will bear periodic interest payable semiannually on February 1 and August 1 of each year (such dates constituting Bond Payment Dates for purposes thereof), commencing February 1, 2020. Interest on the Convertible Capital Appreciation Bonds following the Conversion Date shall be computed on the basis of a 360-day year of twelve 30-day months. Any Convertible Capital Appreciation Bond after its Conversion Date shall bear interest from the Bond Payment Date next preceding the date of authentication, unless (i) it is authenticated as of a day during the period from the 16<sup>th</sup> day of the month next preceding any Bond Payment Date following the Conversion Date to that Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or (ii) it is authenticated on or before January 15, 2020, in which event such bond shall bear interest from its Conversion Date.

See also the maturity schedule on the inside cover page hereof, “—Annual Debt Service” and “APPENDIX F – ACCRETED VALUES TABLE” herein.

***Payments.*** Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15<sup>th</sup> day of the month immediately preceding such Bond Payment Date (the “Record 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 of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, 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 and Conversion Value of the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds.

## Annual Debt Service

**Series A Bonds.** The following table summarizes the annual debt service requirements of the District for the Series A Bonds, assuming no optional redemptions are made:

<b>Year Ending <u>August 1</u></b>	<b><u>Series A Bonds</u></b>		<b><u>Total Annual Debt Service</u></b>
	<b><u>Annual Principal Payment</u></b>	<b><u>Annual Interest Payment<sup>(1)</sup></u></b>	

Total

<sup>(1)</sup> Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2018.

<sup>(2)</sup> Interest on the Series A Bonds, prior to the Crossover Date, is payable from amounts on deposit in the Escrow Subaccount therefor. From and after the Crossover Date, such interest shall be payable from *ad valorem* property taxes levied and collected by the Counties on taxable property within the boundaries of the District. See "THE BONDS – Security and Sources of Payment – Series A Bonds" herein.

**Series B Bonds.** The following table summarizes the annual debt service requirements of the District for the Series B Bonds, assuming no optional redemptions are made.

**Series B Bonds**

<b><u>Year Ending August 1</u></b>	<b><u>Annual Principal Payment</u><sup>(1)</sup></b>	<b><u>Accreted Interest Prior to Conversion Date</u><sup>(1)</sup></b>	<b><u>Annual Interest Payment After Conversion Date</u><sup>(2)</sup></b>	<b><u>Total Annual Debt Service</u></b>
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Total

<sup>(1)</sup> The Convertible Capital Appreciation Bonds will initially accrete interest from their date of delivery, compounded semiannually on February 1 and August 1, commencing on February 1, 2018, through the Conversion Date.

<sup>(2)</sup> Interest payments on the Convertible Capital Appreciation Bonds will be payable semiannually on February 1 and August 1 of each year following the Conversion Date.

See “SAN BERNARDINO COMMUNITY COLLEGE DISTRICT – District Debt Structure” herein for a full debt service schedule of all of the District’s outstanding general obligation bond debt.



## Application and Investment of Bond Proceeds

**Use of Proceeds.** The Series A Bonds are being issued to (i) advance refund, on a crossover basis, all or a portion of the 2002 Series E Bonds, and (ii) pay the costs of issuance of the Series A Bonds. The Series B Bonds are being issued to (i) advance refund a portion of the 2008 Series B Bonds, and (ii) pay the costs of issuing the Series B Bonds.

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

**REFUNDED BONDS\***  
**San Bernardino Community College District**  
**Election of 2002 Taxable General Obligation Bonds**  
**(Build America Bonds – Direct Payment to District) Series E**

<u>Maturity Date</u>	<u>CUSIP<sup>(1)</sup></u>	<u>Original Principal Amount</u>	<u>Outstanding Principal to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Principal Amount)</u>
August 1, 2033	796720HA1	\$15,000,000	\$15,000,000	8/1/2019	100%

**REFUNDED BONDS\***  
**San Bernardino Community College District**  
**Election of 2008 General Obligation Bonds, Series B**

<u>Maturity Date</u>	<u>CUSIP<sup>(1)</sup></u>	<u>Denominational Amount</u>	<u>Conversion Value to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price (% of Conversion Value)</u>
8/1/2034	796720GE4	\$16,634,282.10	\$31,530,000	8/1/2024	100%

**Escrow Agreement.** The net proceeds from the sale of the Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A., acting as Escrow Agent, to the credit of the “San Bernardino Community College District 2017 General Obligation Refunding Bonds Escrow Fund” (the “Escrow Fund”). Within the Escrow Fund, the Escrow Agent shall establish and hold subaccounts (each, an “Escrow Subaccount”) relating to each of the Series A Bonds (the “Series A Escrow Subaccount”) and the Series B Bonds (the “Series B Escrow Subaccount”). Funds on deposit in the Series A Escrow Subaccount are not available to pay the Series B Bonds or the 2008 Series B Bonds. Funds on deposit in the Series B Escrow Subaccount are not available to pay the 2002 Series E Bonds or the Series A Bonds.

Pursuant to the Escrow Agreement, 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

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\* Preliminary, subject to change.

<sup>(1)</sup> 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. None of the Underwriter, the Municipal Advisor or 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, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable 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 Bonds.

with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay (i) the redemption price of each series of Refunded Bonds on the first respective optional redemption dates therefor, as described above, (ii) interest on the 2008 Series B Bonds on such optional redemption date therefor, and (iii) prior to the Crossover Date, the interest on the Series A Bonds, as the same shall become due and payable. **Prior to the Crossover Date, the 2002 Series E Bonds will remain general obligations of the District payable solely from *ad valorem* property taxes.**

***Crossover Refunding Escrowed Securities.*** The following chart describes the initial investments of the proceeds of the Series A Bonds on deposit in the Series A Escrow Subaccount.

**SERIES A ESCROW SUBACCOUNT  
Federal Securities**

<u>Type of Security</u>	<u>Par Amount</u>	<u>Maturity Date</u>	<u>Yield</u>
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***Verification.*** The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the interest on the 2008 Series B Bonds on and prior to their redemption date, interest on the Series A Bonds prior to the Crossover Date, and the redemption price of the respective series of Refunded Bonds, each as described above, will be verified by Causey Demgen & Moore, P.C. (the “Verification Agent”). As a result of the deposit and application of funds of the Bonds as provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the 2008 Series B Bonds will be defeased and the obligation of the Counties to levy *ad valorem* property taxes for payment of such bonds will terminate. **Prior to the Crossover Date, the 2002 Series E Bonds will remain general obligations of the District payable solely from *ad valorem* property taxes, and will not be considered defeased.** See also “LEGAL MATTERS – Escrow Verification” herein.

***Debt Service Funds.*** Any accrued interest and surplus moneys in the Escrow Fund following the redemption of the Refunded Bonds shall be transferred to and accounted for in the respective debt service funds relating to each series of the Bonds (each, a “Debt Service Fund”) established by the Resolution, and used by the District only for payment of principal of and interest on and Conversion Value of the respective series of Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the respective Debt Service Funds and applied to the payment of principal of and interest on and Conversion Value of the related series of Bonds. If, after payment in full of the Bonds, there remain any such excess proceeds, such amounts shall be transferred to the general fund of the District. Moneys in the Debt Service Funds are expected to be invested through the County’s pooled investment fund. See “APPENDIX E – SAN BERNARDINO COUNTY INVESTMENT POOL” herein

## Redemption

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

The Series B Bonds maturing on or before August 1, 20\_\_ are not subject to redemption. The Series B 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 Conversion Value of such Series B Bonds called for redemption, together with interest accrued to the date set for redemption, without premium.

***Selection of Bonds for Redemption.*** Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds of a series are to be redeemed, the Paying Agent, upon written instruction from the District, will select the 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 the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

***Notice of Redemption.*** 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 or Conversion Value 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. Such Redemption Notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue.

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 (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) 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 (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) provide such Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

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\* Preliminary, subject to change.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access.

“Securities Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent to the effect 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 check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

***Conditional Notice of Redemption.*** With respect to any notice of optional redemption of Bonds 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 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 and Conversion Value of, and 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 notice shall 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 initially 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 such rescission in the same manner as the Redemption Notice was originally provided.

***Partial Redemption of Bonds.*** Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amounts (which, with respect to any outstanding Bond, means the principal amount or Conversion Value thereof, as applicable) 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 District will be released and discharged thereupon from all liability to the extent of such payment.

***Effect of Redemption Notice.*** Notice having been given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in “—Defeasance” herein, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest accrued or accreted to such redemption date, shall be held in trust so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue or accrete 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.

***Bonds No Longer Outstanding.*** When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, 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, 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 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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal 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, DTC Participants or DTC 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 "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The DTC, New York, NY, 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 each series of the Bonds, each in the aggregate principal amount of such maturity, 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" and together with the Direct Participants, the "Participants"). DTC has an S&P (as defined herein) rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information set forth on such website is not incorporated by reference herein.

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 ownership interest of each 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 purchases. 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 effect 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, defaults, and proposed amendments to the Resolution. 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 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 and 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 the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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.

#### **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 shall 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 system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.*

The principal and Conversion Value of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by either (i) check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date, or (ii) by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for a Bond of like series, tenor, maturity and Transfer Amount upon presentation and surrender at the designated 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 only on the Bond registration books upon presentation and surrender of the Bond at such designated office of the Paying Agent together with an assignment executed by the registered 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 or accruing interest at the same rate and maturing on the same date. Convertible Capital Appreciation Bonds and Current Interest Bonds may not be exchanged for one another.

Neither the District nor the Paying Agent will be required to (a) 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) 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 applicable Debt Service Fund, is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof or Conversion Value, accreted or accrued interest thereon and premium, 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 (as defined herein) together with any amounts transferred from the applicable Debt Service Fund, and any other cash, if required, 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 or Conversion Value thereof, accreted or accrued interest thereon, and premium, if any), at or before their maturity date;

then, notwithstanding that any such maturities of 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 Paying Agent or an 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), and 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 (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) 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 (c) 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 S&P Global Ratings (“S&P”) or by Moody’s Investors Service (“Moody’s”).



## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

	<b><u>Series A</u></b> <b><u>Bonds</u></b>	<b><u>Series B</u></b> <b><u>Bonds</u></b>
Sources of Funds		
Principal Amount of Bonds		
Net Original Issue Premium		
Total Sources		
Uses of Funds		
Costs of Issuance <sup>(1)</sup>		
Deposit to Escrow Fund		
Total Uses		

<sup>(1)</sup> Reflects all costs of issuance of the Bonds, including, but not limited to, demographics fees, legal and municipal advisory fees, ratings fees, Underwriter's discount, and the costs and fees of the Verification Agent, Paying Agent and Escrow Agent. See "MISCELLANEOUS – Underwriting" herein.

## DISTRICT TAX BASE

*The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. Prior to the Crossover Date, the Series A Bonds shall be secured by and payable solely from monies on deposit in the Series A Escrow Subaccount. The Series A Bonds after the Crossover Date will be and the Series B Bonds shall be, payable solely from 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 taxes. Assessed valuations are the same for both District and county 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. Other property is assessed on the "unsecured roll." 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 such county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled 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 respective treasurer-tax collector (or equivalent officer) of the Counties. 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 respective Treasurer-Tax Collector (or equivalent officer).

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 XIII A 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.

Assessed valuation growth allowed under Article XIII A (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, including school districts and community college districts (collectively, "K-14 school districts") 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 assessed valuation of property in the District is established by the tax assessing authority for the applicable county in which such property is located, except for public utility property which is assessed by the State Board of Equalization ("SBE"). Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the State Constitution. For a discussion of how properties currently are assessed and re-assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The table on the following page sets forth the 10-year history of assessed valuations in the District.

**ASSESSED VALUATIONS**  
**Fiscal Years 2008-09 through 2017-18**  
**San Bernardino Community College District**

**San Bernardino County Portion**

	<b><u>Local Secured</u></b>	<b><u>Utility</u></b>	<b><u>Unsecured</u></b>	<b><u>Total</u></b>
2008-09	\$54,359,253,436	\$617,861,765	\$2,401,555,179	\$57,378,670,380
2009-10	50,476,599,335	686,201,015	2,608,458,060	53,771,258,410
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

**Riverside County Portion**

	<b><u>Local Secured</u></b>	<b><u>Utility</u></b>	<b><u>Unsecured</u></b>	<b><u>Total</u></b>
2008-09	\$688,727,803	--	\$7,306,021	\$696,033,824
2009-10	636,606,551	--	7,590,091	644,196,642
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

**Total District**

	<b><u>Local Secured</u></b>	<b><u>Utility</u></b>	<b><u>Unsecured</u></b>	<b><u>Total</u></b>
2008-09	\$55,047,981,239	\$617,861,765	\$2,408,861,200	\$58,074,704,204
2009-10	51,113,205,886	686,201,015	2,616,048,151	54,415,455,052
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

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in 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, flood, fire, drought 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 County to pay the debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

***Appeals and Adjustments of Assessed Valuation.*** 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 SBE, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein.

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 XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Article XIII A of the California Constitution” herein.

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

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**Assessed Valuation 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 2017-18.

**ASSESSED VALUATION AND PARCELS BY LAND USE**

**Fiscal Year 2017-18**

**San Bernardino Community College District**

	<b>2017-18 Assessed Valuation<sup>(1)</sup></b>	<b>% of Total</b>	<b>No. of Parcels</b>	<b>% of Total</b>
<b><u>Non-Residential:</u></b>				
Agricultural/Rural	\$333,602,706	0.53%	873	0.29%
Commercial	5,645,097,188	8.98	6,357	2.15
Professional/Office	1,515,353,588	2.41	1,491	0.50
Industrial	6,936,924,356	11.04	3,111	1.05
Recreational	264,284,744	0.42	752	0.25
Government/Social/Institutional	273,038,944	0.43	844	0.28
Power Plant/Utilities	704,674,036	1.12	76	0.03
Miscellaneous	<u>67,142,260</u>	<u>0.11</u>	<u>715</u>	<u>0.24</u>
Subtotal Non-Residential	\$15,740,117,822	25.04%	14,219	4.80%
<b><u>Residential:</u></b>				
Single Family Residence	\$40,564,411,128	64.54%	197,908	66.80%
Condominium/Townhouse	1,187,466,358	1.89	11,254	3.80
Mobile Home	210,162,352	0.33	5,591	1.89
Mobile Home Park	328,827,535	0.52	339	0.11
Timeshare Use	69,406,193	0.11	9,915	3.35
2-4 Residential Units	1,170,710,579	1.86	7,236	2.44
5+ Residential Units/Apartments	2,196,249,257	3.49	2,814	0.95
Miscellaneous Residential	<u>65,125,566</u>	<u>0.10</u>	<u>1,004</u>	<u>0.34</u>
Subtotal Residential	\$45,792,358,968	72.86%	236,061	79.68%
Vacant Parcels	\$1,315,674,611	2.09%	45,991	15.52%
Total	\$62,848,151,401	100.00%	296,271	100.00%

<sup>(1)</sup> Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Jurisdiction.** The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2017-18 assessed valuation.

**ASSESSED VALUATION AND PARCELS BY JURISDICTION**

**Fiscal Year 2017-18**

**San Bernardino Community College District**

<b><u>Jurisdiction:</u></b>	<b><u>Assessed Valuation in District</u></b>	<b><u>% of District</u></b>	<b><u>Assessed Valuation of Jurisdiction</u></b>	<b><u>% of Jurisdiction in District</u></b>
City of Big Bear Lake	\$3,371,022,110	5.12%	\$3,371,022,110	100.00%
City of Colton	3,289,462,440	4.99	3,289,462,440	100.00
City of Fontana	2,229,351,500	3.38	17,721,235,967	12.58
City of Grand Terrace	968,142,164	1.47	968,142,164	100.00
City of Highland	3,434,846,405	5.21	3,434,846,405	100.00
City of Loma Linda	2,111,223,181	3.20	2,111,223,181	100.00
City of Redlands	9,331,510,290	14.16	9,331,510,290	100.00
City of Rialto	7,119,748,643	10.81	7,907,753,047	90.04
City of San Bernardino	13,387,519,408	20.32	13,387,519,408	100.00
City of Yucaipa	4,302,217,742	6.53	4,302,217,742	100.00
Unincorporated San Bernardino County	15,532,577,045	23.58	31,822,028,347	48.81
City of Calimesa	581,857,419	0.88	821,873,370	70.80
City of Jurupa Valley	660,568	0.00	9,098,569,504	0.01
Unincorporated Riverside County	221,138,499	0.34	40,177,339,165	0.55
Total District	\$65,881,277,414	100.00%		
 <b><u>Summary by County:</u></b>				
Riverside County	\$803,656,486	1.22%	\$263,669,553,595	0.30%
San Bernardino County	65,077,620,928	98.78	207,292,974,776	31.39
Total District	\$65,881,277,414	100.00%		

*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 2017-18 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 2017-18**  
**San Bernardino Community College District**

	<u>No. of Parcels</u>	<u>2017-18 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	197,908	\$40,564,411,128	\$204,966	\$173,966

<u>2017-18 Assessed Valuation</u>	<u>No. of Parcels<sup>(1)</sup></u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	2,550	1.288%	1.288%	\$42,134,296	0.104%	0.104%
25,000 - 49,999	9,810	4.957	6.245	366,935,875	0.905	1.008
50,000 - 74,999	12,376	6.253	12.499	766,380,230	1.889	2.898
75,000 - 99,999	15,831	7.999	20.498	1,383,034,041	3.409	6.307
100,000 - 124,999	18,864	9.532	30.030	2,127,610,492	5.245	11.552
125,000 - 149,999	20,153	10.183	40.213	2,769,747,128	6.828	18.380
150,000 - 174,999	19,650	9.929	50.141	3,189,081,169	7.862	26.242
175,000 - 199,999	17,890	9.040	59.181	3,350,564,854	8.260	34.502
200,000 - 224,999	14,720	7.438	66.619	3,119,864,189	7.691	42.193
225,000 - 249,999	12,586	6.360	72.978	2,985,002,080	7.359	49.552
250,000 - 274,999	10,239	5.174	78.152	2,681,373,202	6.610	56.162
275,000 - 299,999	8,047	4.066	82.218	2,309,128,807	5.692	61.854
300,000 - 324,999	6,664	3.367	85.585	2,077,608,733	5.122	66.976
325,000 - 349,999	5,144	2.599	88.184	1,733,180,622	4.273	71.249
350,000 - 374,999	4,741	2.396	90.580	1,716,496,034	4.232	75.480
375,000 - 399,999	3,587	1.812	92.392	1,388,487,719	3.423	78.903
400,000 - 424,999	2,733	1.381	93.773	1,125,212,896	2.774	81.677
425,000 - 449,999	2,362	1.193	94.967	1,032,066,020	2.544	84.221
450,000 - 474,999	1,675	0.846	95.813	773,030,739	1.906	86.127
475,000 - 499,999	1,265	0.639	96.452	615,858,057	1.518	87.645
500,000 and greater	<u>7,021</u>	<u>3.548</u>	100.000	<u>5,011,613,945</u>	<u>12.355</u>	100.000
Total	197,908	100.000%		\$40,564,411,128	100.000%	

<sup>(1)</sup> 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 2016-17 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 2016-17**  
**San Bernardino Community College District**  
**(Riverside County Portion Only)**

	<b>Secured Tax Charge<sup>(1)</sup></b>	<b>Amount Delinquent (as of June 30)</b>	<b>Percent Delinquent (as of June 30)</b>
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

<sup>(1)</sup> 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 Section 4701 *et seq.* of the California Revenue and Taxation Code. 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 and Conversion Value 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 2013-14 through 2017-18.

**TYPICAL TAX RATES (TRA 5-000)  
Fiscal Years 2013-14 through 2017-18  
San Bernardino Community College District**

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

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
<b><u>TRA 5-000 – 2017-18 Assessed Valuation: \$5,084,938,174</u></b>					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
City of Redlands	.0105	-	-	-	-
Redlands Unified School District	.0629	.0594	.0567	.0524	.0494
San Bernardino Community College District	.0419	.0393	.0403	.0350	.0376
San Bernardino Valley Municipal Water District	<u>.1625</u>	<u>.1625</u>	<u>.1625</u>	<u>.1625</u>	<u>.1525</u>
Total Tax Rate	1.2778%	1.2612%	1.2595%	1.2499%	1.2395%
<b><u>TRA 17-001 – 2017-18 Assessed Valuation: \$2,597,755,160</u></b>					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Bear Valley Unified School District	.0381	.0354	.0348	.0320	.0313
San Bernardino Community College District	<u>.0419</u>	<u>.0393</u>	<u>.0403</u>	<u>.0350</u>	<u>.0376</u>
Total Tax Rate	1.0800%	1.0747%	1.0751%	1.0670%	1.0689%
<b><u>TRA 105-17 – 2017-18 Assessed Valuation: \$3,158,881,057</u></b>					
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Rim of the World Unified School District	.0189	.0198	.0161	.0181	.0171
San Bernardino Community College District	<u>.0419</u>	<u>.0393</u>	<u>.0403</u>	<u>.0350</u>	<u>.0376</u>
Total Tax Rate	1.0608%	1.0591%	1.0564%	1.0531%	1.0547%

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 in 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 2017-18 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation 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 2017-18 San Bernardino Community College District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2017-18 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1.	Prologis LP	Industrial	\$698,251,384	1.11%
2.	Southern California Edison Company	Power Plant	632,939,165	1.01
3.	Stater Bros. Markets	Industrial/Office Building	351,053,791	0.56
4.	Target Corporation	Industrial	253,197,822	0.40
5.	Teachers Insurance & Annuity Association	Industrial	252,338,663	0.40
6.	AMB Institutional Alliance Fund III	Industrial	135,421,484	0.22
7.	Watson Land Company	Industrial	122,289,086	0.19
8.	Tri City South Owner LLC	Office Building	117,646,676	0.19
9.	LIT Industrial LP	Industrial	104,893,118	0.17
10.	IE Logistics Inc.	Industrial	100,798,873	0.16
11.	WM Inland Investors IV LLC	Shopping Center	95,991,888	0.15
12.	BRE Piper MF Parkview Terrace CA LLC	Apartments	87,717,600	0.14
13.	Francisco Street LP	Industrial	86,014,894	0.14
14.	NYS/NEW LLC	Office Building	85,263,873	0.14
15.	Redlands Joint Venture LLC	Shopping Center	80,875,789	0.13
16.	Thrifty Oil Co.	Industrial	79,100,430	0.13
17.	TC Lit Palms LLC	Industrial	76,860,843	0.12
18.	Northgate ILP LLC	Industrial	71,256,167	0.11
19.	BRE CA Redlands LLC	Apartments	71,012,353	0.11
20.	Harvest A OSR LLC	Industrial	<u>70,729,125</u>	<u>0.11</u>
			<u>\$3,573,653,024</u>	<u>5.69%</u>

<sup>(1)</sup> The fiscal year 2017-18 total District secured assessed valuation is \$62,848,151,401.  
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. and effective as of December 1, 2017 for debt outstanding as of November 2, 2017. 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 following 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**

**2017-18 Assessed Valuation:** \$65,881,277,414

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable <sup>(1)</sup></u></b>	<b><u>Debt 12/1/17</u></b>
Metropolitan Water District	0.027%	\$20,224
<b>San Bernardino Community College District</b>	<b>100.000</b>	<b>440,458,530<sup>(2)</sup></b>
Bear Valley Unified School District	100.000	11,969,898
Beaumont Unified School District	0.065	44,527
Colton Joint Unified School District	100.000	193,577,465
Redlands Unified School District	100.000	84,818,830
Rialto Unified School District	100.000	90,099,319
Rim of the World Unified School District	100.000	20,514,996
San Bernardino City Unified School District	100.000	249,489,446
San Geronio Memorial Hospital District	0.419	463,163
Community Facilities Districts	40.064-100.000	151,492,264
1915 Act Bonds	42.272-100.000	5,135,756
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$1,248,084,418</b>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
San Bernardino County General Fund Obligations	31.492%	\$115,895,284
San Bernardino County Pension Obligation Bonds	31.492	105,846,580
San Bernardino County Flood Control District General Fund Obligations	31.492	21,516,909
Riverside County General Fund and Pension Obligation Bonds	0.300	3,310,756
San Bernardino City Unified School District Certificates of Participation	100.000	47,750,000
Yucaipa-Calimesa Joint Unified School District Certificates of Participation	100.000	8,510,000
Other School District Certificates of Participation	Various	17,056,092
City of Colton General Fund and Pension Obligation Bonds	100.000	31,074,400
City of Redlands General Fund Obligations and Pension Obligation Bonds	100.000	11,707,392
City of San Bernardino General Fund Obligations and Pension Obligation Bonds	100.000	54,911,201
Other City General Fund Obligations	Various	6,777,526
Special District General Fund Obligations	99.959-100.000	6,789,050
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$431,145,190</b>
Less: Riverside County supported obligations		(14,542)
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$431,130,648</b>
<b><u>OVERLAPPING TAX INCREMENT DEBT:</u></b>		
Successor Agency to Fontana Redevelopment Agency	5.116-49.653%	\$49,665,218
Successor Agency to Highland Redevelopment Agency	100.000	46,665,000
Successor Agency to Rialto Redevelopment Agency	92.388	124,677,606
Successor Agency to San Bernardino County Redevelopment Agency	100.000	239,870,000
Successor Agency to San Bernardino City Redevelopment Agency	100.000	85,119,018
Successor Agency to Other Redevelopment Agencies	Various	97,084,479
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$643,081,321</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$2,322,310,929<sup>(3)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$2,322,296,387</b>

**Ratios to 2017-18 Assessed Valuation:**

<b>Direct Debt (\$440,458,530)</b>	<b>0.67%</b>
Total Direct and Overlapping Tax and Assessment Debt	1.89%
Gross Combined Total Debt	3.52%
Net Combined Total Debt	3.52%

**Ratios to Redevelopment Incremental Valuation (\$19,347,859,851):**

Total Overlapping Tax Increment Debt	3.32%
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<sup>(1)</sup> 2016-17 ratios.

<sup>(2)</sup> Excludes the Bonds described herein and include the Refunded Bonds.

<sup>(3)</sup> 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 Series A Bonds from and after the Crossover Date are, and the Conversion Value of and interest on Series B Bonds shall be, payable from the proceeds of an ad valorem property tax levied by the Counties for the payment thereof. Prior to the Crossover Date, the Series A Bonds will be secured by and payable solely from monies on deposit in the Series A Escrow Subaccount. See “THE BONDS – Security and Sources of Payment” herein. Articles XIII A, XIII B, XIII C and XIII D of the 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 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 on behalf of the District to levy taxes for payment of the Bonds.*

### **Article XIII A of the California Constitution**

Article XIII A (“Article XIII A”) 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. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 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 XIII A 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 “DISTRICT TAX BASE – Assessed Valuations” herein.

Article XIII A 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 XIII A 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. In addition, Article XIII A requires the approval

of two-thirds or more of all members of the State Legislature (the “State Legislature”) to change any State taxes for the purpose of increasing tax revenues.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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 California State Supreme Court have upheld the general validity of Article XIII A.

### **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 the 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 basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s education financing formulas. See “FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues” herein.

### **Article XIII B of the California Constitution**

Article XIII B (“Article XIII B”) 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 XIII B defines

- (a) “change in the cost of living” with respect to K-14 school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) “change in population” with respect to a K-14 school district means the percentage change in the average daily attendance of such K-14 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 XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B 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 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 XIII B 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 XIII B 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 XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies, including school districts and community college 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 California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C 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 school districts and community college 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 XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D 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 XIII A of the California 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 XIII C 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 XIII D. 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 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 have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes 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 the State General Fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the 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 changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would 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 XIII B surplus. The maximum amount of excess tax revenues which could 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 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 XIII B 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 XIII B 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 California 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 XIII B 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 district's minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into such 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 XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded 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 expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. Recalculation of Appropriations Limit. The Article XIII B 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. There is 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 XIII B 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 California 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” (also referred to as a “maintenance factor”) to K-14 school districts which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (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, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. 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 levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

### ***Jarvis v. Connell***

On May 29, 2002, the California 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 of California). 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 California 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 California Supreme Court upheld the holding of the Court of Appeal, stating that the 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 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 1A and Proposition 22**

On November 2, 2004, California 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 allows 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 school districts and community college 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 projected 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. See also "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – State Dissolution of Redevelopment Agencies" herein.

### **Proposition 30 and Proposition 55**

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates

on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases 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 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 the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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 schools 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.

## **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 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 a an emergency within the meaning of Article XIII B of the 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 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 be otherwise 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.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 39, 22, 26, 30, 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 this information in this Official Statement that the principal of or interest on the Bonds is payable from State revenues. Prior to the Crossover Date, the Series A Bonds will be secured by and payable solely from monies on deposit in the Series A Escrow Subaccount. The Series A Bonds from and after the Crossover Date shall be, and the Series B Bonds are, payable solely from the proceeds of an ad valorem property tax which is required to be levied by the County in an amount sufficient for the payment thereof.*

### Major Revenues

California community college districts (other than 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 (which generally is less than 3 percent), and other minor sources. Local funds include property taxes, student fees and miscellaneous sources.

A bill passed the State Legislature ("SB 361"), and signed by the Governor on September 29, 2006, established the present system of funding for community college districts. This system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit full time equivalent students ("FTES") in each district.

SB 361 also 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 noncredit FTES; and (c) set at \$3,092 per FTES for a new instructional category of "career development and college preparation" ("CDCP") enhanced non-credit rate. Each such minimum funding rate is subject to cost of living adjustments (each, a "COLA"), if any, funded through the State budgeting legislation in each fiscal year. Pursuant to SB 361, the State Chancellor developed criteria for one-time grants for districts that would have received more funding under the prior system or a then-proposed rural college access grant, than under the existing system.

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 will establish an enrollment cap on the maximum number of resident 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. Nonresident and international students are excluded from the State funding formula and pay full tuition.

The following table shows the District's FTES counts for fiscal years 2009-10 through 2016-17, and the budgeted FTES for fiscal year 2017-18.

**FULL TIME EQUIVALENT STUDENTS<sup>(1)</sup>**  
**Fiscal Years 2009-10 through 2017-18**  
**San Bernardino Community College District**

<u><b>Year</b></u>	<u><b>Funded FTES<sup>(2)</sup></b></u>	<u><b>Unfunded FTES<sup>(2)(3)</sup></b></u>	<u><b>Total FTES</b></u>
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 <sup>(4)</sup>	15,343	--	15,343
2017-18 <sup>(5)</sup>	15,233	--	15,233

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Unfunded FTES amounts are the product of increased enrollment coupled with lower State funding levels.

<sup>(4)</sup> 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.

<sup>(5)</sup> Budgeted

Source: San Bernardino Community College District.

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 of property. Every community college district receives the same amount of lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

The sum of the property taxes, student enrollment fees, and State aid generally comprise the District's State apportionment. State aid is 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 the District.

"Basic Aid" community college districts (also referred to as "community supported" districts) are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program based model. Basic aid districts do not receive any general apportionment funding from the State (though they are currently entitled to the minimum amount of

funding derived from taxes levied pursuant to Proposition 30, in an amount equal to \$100 per unit of FTES). See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS– Proposition 30 and Proposition 55.” The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid districts is that the 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 does not currently qualify as a Basic Aid district.

### **Budget Procedures**

On or before September 15, the Board of the District is required under California Code of Regulations Section 58305, to adopt a balanced budget. Each September, every State agency, including the State Chancellor’s Office of the California Community Colleges (the “Chancellor’s Office”) 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 State Legislature. The Governor’s Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May of each year, 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 State 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 State Chancellor has been given the responsibility to identify community college districts at risk and, when necessary, the authority to intervene in the management of a community college district to bring about improvement in such district’s financial condition. To stabilize such a district’s financial condition, the State Chancellor may, as a last resort, seek an appropriation from the State 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 State Chancellor will pay special attention to each district’s general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the State 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 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 XIII B).

**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 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%. Because of the major shifts of property tax from local government to community colleges and K-12 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 (i.e. FTES) 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 1% 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 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**

***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 2016-17, and a budgeted amount for fiscal year 2017-18 are shown in the following table.

**TAX OFFSET AND PASS-THROUGH REVENUES**  
**Fiscal Years 2012-13 through 2017-18**  
**San Bernardino Community College District**

<b><u>Fiscal Year</u></b>	<b><u>Tax Offset Revenues<sup>(1)</sup></u></b>	<b><u>Pass-Through Revenues<sup>(2)</sup></u></b>
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 <sup>(3)</sup>	--	1,299,413

(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 “-State Dissolution of Redevelopment Agencies” below. The Bonds, however, are not payable from such revenue. The Series B Bonds, as well as the Series A Bonds from and after the Crossover Date, are and shall be, as applicable, 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.

***FCC Auction Proceeds.*** The District, which 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 in one time funds from the sale of its spectrum rights, which it has segregated in a separate account, apart from the general fund. As a result, the KVCR will

now broadcast over a very-high frequency (VHF) channel. While a portion of the proceeds from the auction will be invested in KVCR and cover expenses necessary to transition its broadcast facilities from UHF to VHU, and other improvements, the remainder is expected to be invested by the District and available for any lawful purpose.

### **State Dissolution of Redevelopment Agencies**

On December 30, 2011, the California 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 California 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 California 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 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 Controller. If the 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 revenue limit 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 pursuant to the operation of ABx1 26 using current assessed values . . . and pursuant to statutory pass-through 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.

## **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 has independently verified such information.*

**2017-18 Budget.** On June 27, 2017, the Governor signed into law the State budget for fiscal year 2017-18 (the “2017-18 Budget”). The following information is drawn from the LAO’s preliminary review of the 2017-18 Budget.

For fiscal year 2016-17, the 2017-18 Budget projects total general fund revenues and transfers of \$118.5 billion and total expenditures of \$121.4 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of \$7.4 billion, including \$642 million in the traditional general fund reserve and \$6.7 billion in the BSA. For fiscal year 2017-18, the 2017-18 Budget projects total general fund revenues of \$125.9 billion, reflecting a 6% increase over the prior year and driven primarily by a projected 5% increase in personal income, sales and use tax collections. The 2017-18 Budget authorizes expenditures of \$125.1 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of \$9.9 billion, including \$1.4 billion in the traditional general fund reserve and \$8.5 billion in the BSA.

With respect to education funding, the 2017-18 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2015-16 and 2016-17, as a result of lower-than-estimated general fund revenue collections. The 2017-18 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.7 billion, a decrease of \$379 million from the prior year. However, total Proposition 98 funding exceeded the minimum guarantee by \$53 million as a result of various

adjustments related to the LCFF and community college apportionments. The 2017-18 Budget revises the minimum funding guarantee for fiscal year 2016-17 at \$71.3 billion, reflecting a decrease of \$558 million from the prior year. Total spending, however, exceeded the minimum funding guarantee by approximately \$29 million, as a result of a \$514 million “settle up” payment related to an obligation created by understating the minimum guarantee in a prior year.

For fiscal year 2017-18, the 2017-18 Budget sets the minimum funding guarantee at \$74.5 billion, reflecting an increase of \$3.1 billion (or 4.4%) from the revised prior-year level. Fiscal year 2017-18 is projected to be a “Test 2” year, with the change in the minimum funding guarantee attributable to a 3.7% increase in per capita personal income and a projected 0.05% decline in school district attendance. With respect to community college education, the 2017-18 Budget sets Proposition 98 funding at \$8.6 billion, including \$5.7 billion from the State general fund, reflecting an increase of \$324 million (or 3.9%) from the prior year. Per-FTES spending increases \$363 (or 4.3%) to \$7,416.

Other significant features with respect to community college education funding include the following:

- *Enrollment; Apportionments* – An increase of \$58 million in Proposition 98 funding to base allocations to support a 1% growth in enrollment systemwide. The 2017-18 Budget also provides \$98 million to fund a 1.56% COLA to apportionments, \$5 million to fund a 1.56% COLA to selected categorical programs, and \$1 million to fund a COLA for financial aid administration. In addition to these base increases, the 2017-18 Budget provides \$184 million that community college districts may use to fund any educational or operational purpose, including hiring additional faculty, paying retirement costs, professional development and facility maintenance.
- *Student Success* – An increase of \$150 million in one-time funding for an initiative focused on assisting community college districts (i) integrate existing student success programs and services, (ii) build internal capacity for data analysis, leadership, planning and program implementation, and (iii) develop structured academic courses for incoming students.
- *Financial Aid* – An increase of \$25 million in Proposition 98 funding to increase the maximum annual Full Time Student Success Grant. This grant was created in fiscal year 2015-16 and provides additional aid to community college students who carry 12 or more credits per term and qualify for Cal Grant B and Cal Grant C awards. The 2017-18 Budget also provides \$25 million for a Community College Completion Grant, which would provide an additional \$2,000 annually for grant recipients that develop a comprehensive education plan and carry 15 or more units per term. Lastly, the 2017-18 Budget includes \$1.7 million to double the Cal Grant C book and supply award.
- *Innovation Awards* – \$20 million in one-time Proposition 98 funding for awards to community college districts that develop innovations that both address specified groups of underrepresented students and use technology to improve instruction and support services.
- *On-line Education* – An increase of \$10 million in Proposition 98 funding, for total ongoing funding of \$20 million, to provide system-wide access to the California Online Education Initiative, a grant-funded collaborative effort among community colleges to increase access to and success in high-quality online courses.
- *Library Systems* – An increase of \$6 million in one-time Proposition 98 funding to the California Community College Technology Center, a grant funded project that coordinates

statewide technology projects. The funding is intended to assist in the procurement and operational of an integrated library system for California community college students.

- *Deferred Maintenance and Instructional Equipment* – An increase of \$77 million in one-time Proposition 98 funding for deferred facility maintenance, special repairs, hazardous substance abatement, architectural barrier removal, or specified water conservation projects. Funds will be allocated based on full time equivalent student enrollment.
- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election and which authorizes the sale and issuance of \$9 billion in general obligation bonds for the new construction and modernization of K-14 facilities. The 2017-18 Budget allocates \$17 million of such bond funds for initial design activities at 15 community college districts.

For additional information regarding the 2017-18 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov). However, the information presented on such websites is not incorporated herein by reference.

***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 and Conversion Value of and interest on the Series A Bonds on and after the Crossover Date, and the Series B 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 are 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. Prior to the Crossover Date, the Series A Bonds will be secured by and payable solely from monies on deposit in the Series A Escrow Subaccount. The Series A Bonds from and after the Crossover Date shall be, and the Series B Bonds are, payable solely from the proceeds of an ad valorem property tax which is required to be levied by the Counties in an amount sufficient 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 also owns and operates KVCR, a TV and radio station. The District has approximately 25,000 full and part-time students and serves a resident population of approximately 1.5 million. The District has a 2017-18 total assessed valuation of \$65,881,277,414.

## 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 includes, 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 institutions 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 or 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](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:

<b><u>Board Member</u></b>	<b><u>Office</u></b>	<b><u>Term Expires</u></b>
Joseph Williams	President	November 2018
Gloria Macías Harrison	Vice President	November 2020
Donna Ferracone	Clerk	November 2018
John Longville	Trustee	November 2020
Frank Reyes	Trustee	November 2020
Dr. Donald L. Singer	Trustee	November 2018
Dr. Anne L. Viricel	Trustee	November 2020

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 Vice Chancellor, Business and Fiscal Services 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 April 21, 2011, he was appointed as Chancellor by the Board of Trustees.

Mr. Baron holds a Bachelor’s Degree from the City University of New York and a Master’s Degree, with honors, in Adult and Community Education from City College of New York. He is currently working toward his doctorate in higher education leadership.

***Jose F. Torres, Vice Chancellor, Business and Fiscal Services.*** Mr. Torres has served as the Vice Chancellor, Business and Fiscal Services since November 13, 2014. Prior to his appointment, Mr. Torres served as the District’s Director of Fiscal Services for over a year. 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 306 full-time academic professionals, 395 full-time classified employees, and 114 managerial employees. In addition, the District employs 896 part-time faculty and 454 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

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
California School Employees Association	435	June 30, 2016 <sup>(1)</sup>
California Teachers Association	277	June 30, 2019

<sup>(1)</sup> The Board of Trustees and California School Employees Association have reached a tentative agreement for a new contract, which is expected to be ratified by the bargaining unit and adopted by the Board of Trustees by March of 2018. Members of the bargaining unit are working under the terms of their expired contract until the new contract is finalized.

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 be construed as a representation by either the District, the Municipal Advisor 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 recently 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)**

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
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. While the contribution rate for employees hired after the Implementation Date will remain unchanged at 9.205% of creditable compensation for fiscal year commencing July 1, 2017, the STRS actuary currently estimates that member contribution rates for such members will have to increase to 10.205% of creditable compensation effective July 1, 2018, based on the new actuarial assumptions discussed below.

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)**

<u>Effective Date</u>	<u>K-14 school districts</u>
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.

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 and \$4,475,608 in fiscal year 2016-17. The District currently projects \$5,422,051 for its contribution to STRS for fiscal year 2017-18.

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll for fiscal year 2017-18. 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, 2014 included 1,580 public agencies and 1,513 K-14 school districts. 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 15.531% of eligible salary expenditures for fiscal year 2017-18. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries in fiscal year 2017-18, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18. See "—California Public Employees' Pension Reform Act of 2013" 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 and \$3,710,189 in fiscal year 2016-17. The District currently projects \$3,711,238 for its contribution to PERS for fiscal year 2017-18.

**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](http://www.calstrs.com); (ii) PERS: [www.calpers.ca.gov](http://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.

**FUNDED STATUS**  
**STRS (Defined Benefit Program) and PERS**  
**(Dollar Amounts in Millions) <sup>(1)</sup>**  
**Fiscal Years 2010-11 through 2015-16**

<b><u>STRS</u></b>					
<b><u>Fiscal Year</u></b>	<b><u>Accrued Liability</u></b>	<b><u>Value of Trust Assets (MVA)<sup>(2)</sup></u></b>	<b><u>Unfunded Liability (MVA)<sup>(2)</sup></u></b>	<b><u>Value of Trust Assets (AVA)<sup>(3)</sup></u></b>	<b><u>Unfunded Liability (AVA)<sup>(3)</sup></u></b>
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

<b><u>PERS</u></b>					
<b><u>Fiscal Year</u></b>	<b><u>Accrued Liability</u></b>	<b><u>Value of Trust Assets (MVA)</u></b>	<b><u>Unfunded Liability (MVA)</u></b>	<b><u>Value of Trust Assets (AVA)<sup>(3)</sup></u></b>	<b><u>Unfunded Liability (AVA)<sup>(3)</sup></u></b>
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	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2014-15	73,325	56,814	16,511	-- <sup>(4)</sup>	-- <sup>(4)</sup>
2015-16	77,544	55,785	21,759	-- <sup>(4)</sup>	-- <sup>(4)</sup>

<sup>(1)</sup> Amounts may not add due to rounding.

<sup>(2)</sup> 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.

<sup>(3)</sup> Reflects actuarial value of assets.

<sup>(4)</sup> Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

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, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2016 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, recent investment experience and the insufficiency of the contributions received in fiscal year 2015-16 to cover interest on the unfunded actuarial obligation, the 2016 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$20.5 billion since the June 30, 2015 actuarial valuation and the funded ratio decreased by 4.8% to 63.7% over such time period. Had the investment rate of return been lowered to 7.00% for the 2016 STRS Actuarial Valuation, the unfunded actuarial obligation and the funded ratio would have been \$105.1 billion and 61.8%, respectively. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2016 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations, 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% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and will go into effect 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.

Based on the Schools Pool Actuarial Valuation as of June 30, 2016 (the “2016 PERS Actuarial Valuation”), the three-year phased in reduction of the discount rate is currently projected to result in an employer contribution rate of 17.7% for fiscal year 2018-19, and annual increases thereafter, resulting in a projected 25.1% employer contribution rate by fiscal year 2024-25. Such projections contained in the 2016 PERS Actuarial Valuation assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projected period. The 2016 PERS Actuarial Valuation continues to use the Entry Age Normal Actuarial Cost Method, a 3.0% annual payroll growth (compounded annually) and a 2.75% inflation rate (compounded annually).

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 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, 2017, the District’s proportionate shares of the STRS and PERS net pension liabilities were \$55,196,567 and \$21,155,192, respectively. For more information, see “APPENDIX B – 2016-17 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 deposited \$5,000,000 into the PRSP trust in fiscal year 2017-18.

***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, 2017, 2016, and 2015, were \$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.



## **Other Post-Employment 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 49 retirees and beneficiaries currently receiving benefits, and 599 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 has budgeted a contribution of \$371,234 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 June 30, 2017, the value of assets in the Trust was \$8,035,853.

**Actuarial Valuation.** The District has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liability with respect to the Benefits. The most recent of these studies concluded that the District’s AAL with respect to the Benefits, as of a February 1, 2016 valuation date, was \$8,325,249. The study also calculated the annual required contribution (the “ARC”) to be \$568,558. In calculating the ARC, the actuary took into account the \$7,816,021 actuarial value of plan assets in the Trust as of January 31, 2016. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the AAL, in accordance with the GASB Statements Nos. 43 and 45.

**Net OPEB Asset.** As of June 30, 2017, the District recognized a net long-term asset (the “Net OPEB Asset”) of \$4,528,893 with respect to its accrued liability for the Benefits. The Net OPEB Asset is based on the District’s contributions towards the ARC during fiscal year 2016-17, plus or minus the change in value of the Trust. See also “– District Debt Structure – Long-Term Debt” herein and “APPENDIX B – 2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11” and “– Required Supplementary Information” 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, 2017, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation.** For fiscal year 2016-17, 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.

<b>Insurance Program/ Company Name</b>	<b>Type of Coverage</b>	<b>Limits</b>
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 –2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

## Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of several Joint Powers Authorities ("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 a 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 44 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 District. The governing board is comprised of representatives from each member agency.

See also "APPENDIX B –2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 14" 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. The 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 on May 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between \$10 million and \$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.

### **General Fund Budgeting**

The table on the following page shows the District's combined unrestricted and restricted general fund adopted budgets for fiscal years 2013-14 through 2017-18, and unaudited ending results for the fiscal years 2013-14 through 2016-17.

**GENERAL FUND BUDGETING<sup>(1)</sup>**  
**Fiscal Years 2013-14 through 2017-18**  
**San Bernardino Community College District**

	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18
	<u>Budget<sup>(1)</sup></u>	<u>Actual<sup>(1)</sup></u>	<u>Budget<sup>(1)</sup></u>	<u>Actual<sup>(1)</sup></u>	<u>Budget<sup>(1)</sup></u>	<u>Actual<sup>(1)</sup></u>	<u>Budget<sup>(1)</sup></u>	<u>Actual<sup>(1)</sup></u>	<u>Budget<sup>(1)</sup></u>
<b>REVENUES:</b>									
Federal	\$6,001,633	\$3,807,840	\$6,407,539	\$4,895,578	\$6,179,608	\$4,597,680	\$3,769,839	\$3,011,376	\$3,769,839
State	67,082,723	61,964,988	69,102,345	65,201,282	91,100,221	87,502,201	109,659,626	95,494,201	109,659,626
Local	<u>22,523,820</u>	<u>26,123,639</u>	<u>24,902,837</u>	<u>26,374,079</u>	<u>25,845,492</u>	<u>29,901,161</u>	<u>28,174,950</u>	<u>34,713,276</u>	<u>28,174,950</u>
<b>TOTAL REVENUES</b>	95,608,176	91,896,467	100,412,721	96,470,939	123,125,321	122,001,042	141,604,415	133,218,853	141,604,415
<b>EXPENDITURES:</b>									
Academic Salaries	31,862,190	35,408,153	35,507,345	37,859,080	40,057,147	40,213,257	42,290,491	41,552,042	42,290,491
Classified Salaries	21,440,196	20,658,494	23,196,258	23,270,094	25,410,337	25,395,204	26,968,712	26,205,589	26,968,712
Employee Benefits	16,452,124	15,284,875	17,668,193	17,096,921	19,695,999	19,279,058	22,088,471	23,763,314	22,088,471
Books and Supplies	1,972,590	1,603,116	1,925,586	1,642,667	2,496,023	1,970,957	2,757,187	2,371,073	2,757,187
Services and Other	20,438,340	12,635,540	21,803,244	15,012,270	22,943,640	14,971,747	42,518,573	27,378,450	42,518,573
Operating Expenditures									
Capital Outlay	<u>1,511,514</u>	<u>1,897,003</u>	<u>2,141,990</u>	<u>2,420,357</u>	<u>4,911,835</u>	<u>4,542,294</u>	<u>4,732,418</u>	<u>3,968,773</u>	<u>4,732,418</u>
<b>TOTAL EXPENDITURES</b>	93,676,954	87,487,181	102,242,616	97,301,389	115,514,981	106,372,517	141,355,852	125,239,241	141,355,852
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	1,931,222	4,409,286	(1,829,895)	(830,450)	7,610,340	15,628,525	248,563	7,979,612	248,563
<b>OTHER FINANCING SOURCES (USES)</b>	23,326	24,736	1,012,000	1,012,120	92,000	4,846	172,000	196,241	172,000
<b>OTHER OUTGO</b>	2,649,251	11,894,738	2,125,893	2,544,712	8,101,924	13,844,820	3,627,211	2,714,047	3,627,211
<b>NET INCREASE (DECREASE) IN FUND BALANCES</b>	(694,703)	(7,460,716)	(2,943,788)	(2,363,042)	(399,584)	1,788,551	(3,206,648)	5,461,806	(3,206,648)
<b>BEGINNING FUND BALANCE</b>	26,042,352	26,042,352	18,581,636	18,581,636	16,218,594	16,218,594	18,332,396	18,332,396	18,332,396
<b>Prior Year Adjustments</b>	--	--	--	--	--	325,251	--	(214,668)	--
<b>ENDING FUND BALANCE</b>	<u>25,347,649</u>	<u>18,581,636</u>	<u>15,637,848</u>	<u>16,218,594</u>	<u>15,819,010</u>	<u>18,332,396</u>	<u>15,125,748</u>	<u>23,579,534</u>	<u>15,125,748</u>

<sup>(1)</sup> Reflects combined unrestricted and restricted general funds.

<sup>(2)</sup> From the District's CCFS-311 Reports filed with the Chancellor's Office. Budgeted amounts for fiscal years 2013-14 through 2017-18 and unaudited ending results for fiscal years 2013-14 through 2016-17 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.  
Source: San Bernardino Community College District.

**Comparative Financial Statements**

The following table reflects the District's audited revenues, expenditures and changes in net assets, from fiscal years 2012-13 through 2016-17. See also "APPENDIX B –2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

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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**

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
	<u><b>Audited</b></u>	<u><b>Audited</b></u>	<u><b>Audited</b></u>	<u><b>Audited</b></u>	<u><b>Audited</b></u> <sup>(6)</sup>
<b>OPERATING REVENUES</b>					
Tuition and fees (gross)	\$12,376,218	\$19,090,967	\$19,990,165	\$19,679,609	\$19,670,664
Less: Scholarship discounts and allowances	<u>(6,495,281)</u>	<u>(12,869,287)</u>	<u>(13,445,022)</u>	<u>(13,258,131)</u>	<u>(12,581,348)</u>
Net tuition and fees	5,880,937	6,221,680	6,545,143	6,421,478	7,089,316
Grants and Contracts, Noncapital					
Federal	29,913,984	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
State	11,298,965	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Local	7,699,082	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Auxiliary enterprises sales/internal service sales and charges	2,031,832	4,316,428	--	--	--
Bookstore	--	--	3,845,397	3,906,680	3,906,025
Cafeteria	--	--	<u>703,490</u>	<u>630,607</u>	<u>564,508</u>
<b>TOTAL OPERATING REVENUES</b>	56,824,800	10,538,108	11,094,030	10,958,765	11,559,849
<b>OPERATING EXPENSES</b>					
Salaries	54,467,202	60,689,582	65,386,639	69,985,148	72,226,990
Employee benefits	18,130,811	20,047,878	20,622,531	25,956,181	24,659,151
Supplies, materials and other operating expenses and services	19,522,771	25,765,016	24,944,383	25,659,842	40,701,086
Financial aid	26,441,527	27,397,075	27,424,651	28,331,807	23,877,053
Other Outgo	7,263,734	--	--	--	--
Equipment, maintenance, and repairs	--	1,091,345	2,888,010	9,994,839	4,954,220
Depreciation	<u>14,246,551</u>	<u>15,312,264</u>	<u>15,158,868</u>	<u>15,309,710</u>	<u>15,523,888</u>
<b>TOTAL OPERATING EXPENSES</b>	140,072,596	150,303,160	156,425,082	175,237,527	181,942,388
<b>OPERATING INCOME (LOSS)</b>	(83,247,796)	(139,765,052)	(145,331,052)	(164,278,762)	(170,382,539)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State apportionments, noncapital	35,951,730	45,921,621	55,259,312	59,827,136	51,417,428
Local property taxes	39,475,139	18,795,862	18,163,906	21,681,347	26,355,145
Taxes levied for other specific purposes	--	25,148,129	24,426,035	26,620,823	16,258,114
State revenue – other	14,978,463	3,031,252	4,101,136	3,519,219	12,709,018
Federal grants	--	29,552,508	29,828,773	29,508,162	23,332,346
State grants	--	12,007,694	16,721,550	31,188,340	40,878,174
Interest and investment income – Non Capital	581,765	312,019	236,526	437,580	828,798
Other nonoperating revenue	2,302,688	9,206,801	7,114,899	9,706,637	6,605,104
Investment Income on capital asset-related debt	--	821,498	88,153	86,623	161,001
Transfer to fiduciary fund	--	--	(60,800)	(256,000)	(195,000)
Transfer from fiduciary fund	--	--	--	1,131,015	881,770
Interest expense	<u>(26,479,800)</u>	<u>(31,191,979)</u>	<u>(31,269,048)</u>	<u>(31,125,122)</u>	<u>(18,868,098)</u>
<b>NET NONOPERATING REVENUES</b>	66,809,985	113,605,405	124,610,442	152,325,760	160,363,800
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	(16,437,811)	(26,159,647)	(20,720,610)	(11,953,002)	(10,018,739)
<b>OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>					
State apportionments, capital	--	450,583	403,706	211,475	167,129
Local revenue, capital	<u>539,648</u>	<u>1,507,698</u>	<u>1,266,439</u>	<u>1,801,499</u>	<u>1,603,973</u>
<b>TOTAL OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	539,648	1,958,281	1,670,145	2,012,974	1,771,102
<b>INCREASE (DECREASE) IN NET POSITION</b>	(15,898,163)	(24,201,366)	(19,050,465)	(9,940,028)	(8,247,637)
<b>NET POSITION, BEGINNING OF YEAR</b>	181,924,245	186,946,710	160,031,110	70,364,577	60,424,549
Adjustment for Restatement	20,920,628 <sup>(3)</sup>	--	--	--	--
Net Position, as Restated	<u>202,844,873</u>	<u>184,262,476</u> <sup>(4)</sup>	<u>89,415,042</u> <sup>(5)</sup>	<u>70,364,577</u>	<u>60,424,549</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$186,946,710</u>	<u>\$160,061,110</u>	<u>\$70,364,577</u>	<u>\$60,424,549</u>	<u>\$52,176,912</u>

<sup>(1)</sup> For fiscal years 2013-14 through 2016-17, the District's Auditor classified Federal, State and Local grants and contracts as non-operating revenue.

<sup>(2)</sup> An adjustment was made to reduce the net assets beginning balance by \$1,375,998 in order to remove Fiduciary Fund net assets which had been improperly included in the entity-wide financials in the prior year.

<sup>(3)</sup> Reflects a \$23,682,399 increase to the beginning net position to account for the capitalized interest resulting from the District's implementation of GASB Statement No. 62. This accounting standard requires capitalization of interest expense on bonded debt that had previously been expensed. Also reflects a \$2,761,771 decrease to the beginning net position for restatement of KVCRC FM/TV financials.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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 KVCRC Education Foundation Fund, a fiduciary fund, which was previously included in KVCRC Special Revenue Fund within the primary government fund, which resulted in a downward adjustment to the net position of \$1,183,784.

<sup>(6)</sup> The Board of Trustees is expected to accept the 2016-17 Audited Financial Statements at the Board meeting to be held December 14, 2017.

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, 2017, is shown below:

	<b>Beginning Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance June 30, 2017</b>
Bonds Payable				
Election 2002 Series D	\$8,152,401	\$631,859	--	\$8,784,260
Election 2002 Series E	<u>15,000,000</u>	--	--	<u>15,000,000</u>
Subtotal Election 2002	<u>\$23,152,401</u>	<u>631,859</u>	--	<u>23,784,260</u>
2005 GO Refunding Bonds	<u>7,522,427</u>	<u>929,771</u>	--	<u>8,452,198</u>
Election 2008 Series A	5,530,000	--	\$1,365,000	4,165,000
Election 2008 Series B	113,739,806	8,089,672	629,285	121,200,193
Election 2008 Series C	45,210,000	--	--	45,210,000
Election 2008 Series D	<u>37,645,641</u>	<u>376,183</u>	<u>1,160,000</u>	<u>36,861,824</u>
Subtotal Election 2008	<u>202,125,447</u>	<u>8,465,855</u>	<u>3,154,285</u>	<u>207,437,017</u>
2013 GO Refunding Bonds, Series A	193,175,000	--	1,235,000	191,940,000
2013 GO Refunding Bonds, Series B	30,735,000	--	5,040,000	25,695,000
2015 GO Refunding Bonds,	55,975,000	--	600,000	55,375,000
Premium on debt	<u>38,096,839</u>	--	<u>2,501,119</u>	<u>35,595,720</u>
Total Bonds Payable	<u>550,782,114</u>	<u>10,027,485</u>	<u>12,530,404</u>	<u>548,279,195</u>
Other Liabilities				
Community service grant payable	218,747	--	109,373	109,374
Compensated absences	2,758,991	587,692	--	3,346,683
Claims liabilities	3,078,245	--	--	3,078,245
Aggregate net pension obligation	<u>84,946,634</u>	<u>2,724,085</u>	<u>11,318,960</u>	<u>76,351,759</u>
Total Other Liabilities	<u>91,002,617</u>	<u>3,311,777</u>	<u>11,428,333</u>	<u>82,886,061</u>
Total Long-Term Obligations	<u>\$641,784,731</u>	<u>\$13,339,262</u>	<u>\$23,958,737</u>	<u>\$631,165,256</u>

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.

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”). 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 <sup>(1)(2)</sup>	2008 Series A Bonds	2008 Series B Bonds <sup>(1)</sup>	2008 Series C Bonds <sup>(2)</sup>	2013 Refunding Bonds, Series A	2013 Refunding Bonds Series B	Series D Bonds	2015 Refunding Bonds	The Bonds	Total Annual Debt Service
2018	--	--	\$1,144,500.00	\$2,457,587.50	\$1,690,000.00	\$3,387,103.00	\$9,913,000.00	\$6,340,108.50	\$1,771,600.00	\$2,609,750.00		
2019	--	--	1,144,500.00	--	1,845,000.00	3,387,103.00	12,804,800.00	6,562,822.50	1,313,250.00	2,609,750.00		
2020	--	--	1,144,500.00	--	2,010,037.50	3,387,103.00	13,248,800.00	6,798,037.50	1,373,250.00	2,609,750.00		
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		
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		
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		
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		
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		
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		
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		
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		
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		
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		
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		
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	--		
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	--		
2034	--	--	--	--	25,258,743.76	3,387,103.00	--	--	2,230,750.00	--		
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	\$32,739,750.00	\$2,457,587.50	\$546,452,383.76	\$125,067,266.00	\$274,351,900.00	\$25,111,356.00	\$81,447,850.00	\$85,114,000.00		

<sup>(1)</sup> Includes debt service on the Refunded Bonds expected to be refinanced with proceeds of the Refunding Bonds.

<sup>(2)</sup> 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 54A(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 B 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 6.6% through the end of the current federal fiscal year (September 30, 2018). 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.

## **TAX MATTERS**

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 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 and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The excess of the stated redemption price at maturity over the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond 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. Original issue discount may be included as an adjustment in the calculation of alternative minimum taxable income of corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 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 Bonds to assure that interest (and original issue discount) on the 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 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.

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 must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner'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 Bond Owner 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. Purchasers of the 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 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the 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 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 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 BONDS OR THE MARKET VALUE OF THE BONDS. TAX REFORM LEGISLATION HAS BEEN INTRODUCED AND IS BEING CONSIDERED BY CONGRESS THAT, AMONG OTHER MATTERS, SIGNIFICANTLY ALTERS INCOME TAX RATES AND REPEALS THE ALTERNATIVE MINIMUM TAX. THESE PROPOSED LEGISLATIVE CHANGES OR OTHER CHANGES WHICH MIGHT BE INTRODUCED IN CONGRESS COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 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 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 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 of interest (and original issue discount) on the Bonds 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 Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 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 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 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 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed forms of opinions of Bond Counsel for the Bonds are 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 Section 53515 of the Government Code, 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 – Security and Sources of Payment” 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* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

**Special Revenues.** If the *ad valorem* 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* 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* 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 Treasury Pool, as described in “THE BONDS – Application and Investment of

Bond Proceeds” herein and “APPENDIX E – SAN BERNARDINO COUNTY INVESTMENT 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.

***Opinion 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 are 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 State Government Code, are eligible for security for deposits of public moneys in the State.

### **Continuing Disclosure**

***Current Undertakings.*** In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the “Annual Reports”) by not later than nine months following the end of the District’s fiscal year (which currently ends June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. 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 years 2012-13 and 2013-14 and a portion of its annual report for fiscal year 2011-12. The District also failed to file in a timely manner material event notices as required by its previous continuing disclosure undertakings with regard to the Rule.

### **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.

## **Information Reporting Requirements**

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Code, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. 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 assumptions provided to them by the Underwriter relating to (a) the adequacy of the maturing principal of and interest on the Federal Securities in the respective Escrow Subaccounts, together with any moneys held therein as cash, to pay (i) the debt service due on the Series A Bonds prior to the Crossover Date, (ii) the interest on 2008 Series B Bonds prior to the first optional redemption date therefor, and (iii) the redemption prices of the Refunded Bonds on the first optional redemption dates therefor following the issuance of the Bonds, and (b) the computations of yield of the Bonds and the Federal Securities in the respective Escrow Subaccounts which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

## **Legal Opinions**

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. Copies of the proposed forms of such legal opinions for the Bonds are attached to this Official Statement as APPENDIX A.

## **MISCELLANEOUS**

### **Ratings**

The Bonds have been assigned ratings of "Aa2" 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 District's audited financial statements with required supplemental information for the year ended June 30, 2017, the independent auditor's report of the District, the related statements of activities and of cash flows for the year then ended, and the report dated November 20, 2017 of Vavrinek Trine Day & Co. LLP (the "Auditor"), are included in this Official Statement as APPENDIX B. The Board of Trustees is expected to accept the 2016-17 Audited Financial Statements at the Board meeting to be held December 14, 2017. 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**

Piper Jaffray & Co. (the "Underwriter") has agreed to purchase all of the Series A Bonds for a purchase price of \$\_\_\_\_\_ (consisting of the aggregate principal amount of the Series A Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_).

The Underwriter has agreed to purchase all of the Series B Bonds for a purchase price of \$\_\_\_\_\_ (consisting of the aggregate principal amount of the Series B Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_).

The purchase contract relating to 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 such purchase contracts, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices. The offering prices may be changed from time to time by the Underwriter.

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

Piper Jaffray & Co. has entered into a distribution agreement (the "Schwab Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab 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.

#### **ADDITIONAL INFORMATION**

This Official Statement supplies 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.

Some of the 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.

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: \_\_\_\_\_  
Jose F. Torres  
Vice Chancellor, Business and Financial Services



## APPENDIX A

### FORMS OF OPINIONS OF BOND COUNSEL

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

\_\_\_\_\_, 2017

Governing Board  
San Bernardino Community College District

Members of the Governing Board:

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) 2017 General Obligation Refunding Bonds, Series A (2019 Crossover) (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 Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the "Resolution") of the Board of Trustees of the San Bernardino Community College District (the "District").
2. The Bonds, prior to August 1, 2019 (the "Crossover Date"), will be secured by and payable solely from proceeds of the Bonds on deposit in an escrow fund established therefor. From and after the Crossover Date, the Bonds shall 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* taxes on all property within the District subject to taxation thereby, 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 and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.
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 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner 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 Bond Owner'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 Bond Owner'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 Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. 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 to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

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

\_\_\_\_\_, 2017

Governing Board  
San Bernardino Community College District

Members of the Governing Board:

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) 2017 General Obligation Refunding Bonds, Series B (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 Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and resolution (the “Resolution”) of the Governing Board of the San Bernardino Community College District (the “District”).
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 and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.
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 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner’s basis in the applicable Bond. Original issue discount that accrues to the Bond Owner 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 Bond Owner'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 Bond Owner'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 Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. 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 to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

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## **APPENDIX B**

### **2016-17 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT<sup>(1)</sup>**

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<sup>(1)</sup> The Board of Trustees is expected to accept the 2016-17 Audited Financial Statements at the Board meeting to be held December 14, 2017.



SAN BERNARDINO  
COMMUNITY COLLEGE  
DISTRICT

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2017**



# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

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

## **Emphasis of Matter - Change in Accounting Principles**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vavinek Tume Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2017

## ***USING THIS ANNUAL REPORT***

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of San Bernardino Community College District (the District) as of June 30, 2017. The report consists of the following three basic financial statements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

## ***FINANCIAL HIGHLIGHTS***

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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

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

- The District continues to monitor compliance with the 50 percent law, which requires that at least 50 percent of the current expense of education be spent on instructional salaries. During the year ended June 30, 2017, the District improved the rate to 51.12 percent from 50.97 percent in the previous year.

### Statement of Net Position

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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

(Amounts in thousands)

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



# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and June 30, 2016, is summarized below.

(Amounts in thousands)

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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

Year ended June 30, 2017:

(Amounts in thousands)

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

### Statement of Cash Flows

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

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

- Operating - consists of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.
- Noncapital financing - primarily State apportionment and property taxes.
- Capital financing - purchase of capital assets (land, buildings, and equipment) and bond interest payments and receipts from Federal and State grants for capital purposes, as well as property tax revenue for bond repayments.
- Investing - consists of investment activities and earnings on those investments.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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

(Amounts in thousands)

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

(Amounts in thousands)

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

### Obligations

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### MANAGEMENT DISCUSSION AND ANALYSIS

**JUNE 30, 2017**

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

(Amounts in thousands)

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

### ***ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN BERNARDINO COMMUNITY COLLEGE DISTRICT***

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

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

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## STATEMENT OF NET POSITION - PRIMARY GOVERNMENT JUNE 30, 2017

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 1,039,069
Investments	153,605,950
Accounts receivable	5,469,472
Student loans receivable, net	1,416,434
Due from fiduciary funds	41,616
Prepaid expenses	1,403,625
Inventories	855,811
Other current assets	1,750

#### Total Current Assets

163,833,727

#### Noncurrent Assets

Net OPEB assets	4,528,893
Nondepreciable capital assets	98,886,612
Depreciable capital assets, net of depreciation	445,831,701

#### Total Noncurrent Assets

549,247,206

#### TOTAL ASSETS

713,080,933

### DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on refunding	13,276,638
Deferred outflows of resources related to pensions	27,572,633

#### Total Deferred Outflows of Resources

40,849,271

### LIABILITIES

#### Current Liabilities

Accounts payable	26,352,327
Accrued interest payable	7,562,197
Due to fiduciary funds	94,029
Unearned revenue	15,567,467
Bonds payable - current portion	10,306,190
Community service grant payable	109,374

#### Total Current Liabilities

59,991,584

#### Noncurrent Liabilities

Compensated absences	3,346,683
Bonds payable - noncurrent portion	537,973,005
Claims liability	3,078,245
Aggregate net pension obligation	76,351,759

#### Total Noncurrent Liabilities

620,749,692

#### TOTAL LIABILITIES

680,741,276

### DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	21,012,016
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### NET POSITION

Net investment in capital assets	37,951,739
Restricted for:	
Debt service	33,537,542
Capital projects	10,147,263
Educational programs	486,563
Unrestricted	(29,946,195)

#### TOTAL NET POSITION

\$ 52,176,912

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2017

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### CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 6,099,839
Payments to or on behalf of employees	(98,125,754)
Payments to vendors for supplies and services	(45,778,641)
Payments to students for scholarships and grants	(23,877,053)
Auxiliary enterprise sales and charges	4,470,533

#### Net Cash Flows From Operating Activities

(157,211,076)

### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	56,407,218
Grant and contracts	23,535,013
Property taxes	26,355,145
State taxes and other apportionments	53,432,237
Other nonoperating	9,125,351

#### Net Cash Flows From Noncapital Financing Activities

168,854,964

### CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(41,908,455)
State revenue, capital projects	167,129
Local revenue, capital projects	1,603,973
Property taxes - related to capital debt	16,258,114
Proceeds from capital debt	10,027,485
Principal paid on capital debt	(12,530,404)
Interest paid on capital debt	(17,889,891)
Interest received on capital asset-related debt	962,448

#### Net Cash Flows From Capital Financing Activities

(43,309,601)

### CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	38,754,279
Interest received from investments	715,906

#### Net Cash Flows From Investing Activities

39,470,185

### NET CHANGE IN CASH AND CASH EQUIVALENTS

7,804,472

### CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

109,567,696

### CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 117,372,168

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued FOR THE YEAR ENDED JUNE 30, 2017

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

Operating Loss	<u>\$ (170,382,539)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	15,523,888
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(989,477)
Inventories	(359,126)
Prepaid expenses	146,090
Accounts payable and accrued liabilities	1,957,737
Unearned revenue	3,061,201
Compensated absences	587,692
Deferred outflows of resources related to pensions	4,163,918
Deferred inflows of resources related to pensions	3,282,710
Community service grant payable	(109,373)
Net OPEB assets	(498,922)
Aggregate net pension obligation	<u>(8,594,875)</u>
<b>Total Adjustments</b>	<u>18,171,463</u>
<b>Net Cash Flows From Operating Activities</b>	<u><u>\$ (152,211,076)</u></u>

#### CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 1,039,069
Cash in county treasury	116,333,099
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 117,372,168</u></u>

#### NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 3,142,482</u></u>
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The accompanying notes are an integral part of these financial statements.



# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2017

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### **NOTE 1 - ORGANIZATION**

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

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

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

- KVCR Educational Foundation, Inc.

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### Condensed Statement of Net Position

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

- Economic Development and Corporate Training Foundation

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

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

### Condensed Statement of Net Position

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

### Retiree Health Benefit OPEB Trust

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Accounts Receivable**

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

### **Prepaid Expenses**

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

### **Inventories**

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

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017**

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### **Capital Assets and Depreciation**

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

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

### **Accrued Liabilities and Long-Term Obligations**

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

### **Bond Premiums and Discounts**

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

### **Deferred Charges on Refunding**

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

### **Deferred Outflows/Inflows of Resources**

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

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



# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Pensions**

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

### **Compensated Absences**

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

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

### **Unearned Revenue**

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

### **Noncurrent Liabilities**

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Net Position

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

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

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

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

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

### State Apportionments

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

### Property Taxes

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

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

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Scholarships, Discounts, and Allowances**

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

### **Federal Financial Assistance Programs**

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

### **Estimates**

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

### **Interfund Activity**

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

### **Change in Accounting Principles**

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

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

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

#### **New Accounting Pronouncements**

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

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

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

### ***NOTE 3 - DEPOSITS AND INVESTMENTS***

#### **Policies and Practices**

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

#### **Investment in County Treasury**

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



## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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#### 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.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Summary of Deposits and Investments

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

Primary government	\$ 154,645,019
Fiduciary funds	<u>10,429,485</u>
Total Deposits and Investments	<u>\$ 165,074,504</u>
Cash on hand and in banks	\$ 1,725,833
Cash in revolving	87,362
Cash in County Treasury	117,952,605
Investments	<u>45,308,704</u>
Total Deposits and Investments	<u>\$ 165,074,504</u>

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the San Bernardino County Investment pool and various short-term securities evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$117,952,605 with the San Bernardino County Investment Pool with a weighted maturity of 341 days. In addition, the District maintains investments of \$37,067,913, \$204,938, and \$8,035,853 in Short-Term Securities, Certificates of Deposits, and Mutual Funds, respectively.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the San Bernardino County Investment pool is rated at AAA/VI by Fitch Ratings agency. All other investments are not required to be rated, nor have they been rated as of June 30, 2017.

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS** **JUNE 30, 2017**

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### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District's bank balance of \$2,371,501 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent.

### ***NOTE 4 - FAIR VALUE MEASUREMENTS***

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

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

### NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 1,020,261	\$ -
State Government		
Categorical aid	1,857,950	-
Lottery	322,931	-
Local Sources		
Interest	261,675	-
Property taxes	785,451	-
Other local sources	1,221,204	5,225
Total	<u>\$ 5,469,472</u>	<u>\$ 5,225</u>
Student loans receivable	\$ 1,854,205	
Less allowance for bad debt	(437,771)	
Student loans receivable, net	<u>\$ 1,416,434</u>	

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 6 - CAPITAL ASSETS

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### **NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable for the District consisted of the following:

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

### **NOTE 8 - UNEARNED REVENUE**

Unearned revenue consisted of the following:

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

### **NOTE 9 - INTERFUND TRANSACTIONS**

#### **Interfund Receivables and Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the Primary Government and the Fiduciary Funds are not eliminated in the consolidation process. As of June 30, 2017, the amount owed to the Fiduciary Funds from the Primary Government was \$94,029, and the amount owed to Primary Government from the Fiduciary Funds was \$41,616.

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Interfund Operating Transfers**

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the Primary Government and the Fiduciary Funds are not eliminated in the consolidation process. During the 2017 fiscal year, the Primary Government transferred \$195,000 to the Fiduciary Funds, and the Fiduciary Funds transferred \$881,770 to the Primary Government.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

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

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



# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Description of Obligations**

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

### **Bonded Debt**

#### **The San Bernardino Community College District Election of 2002**

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

#### **The San Bernardino Community College District 2005 Refunding Bonds**

In March 2005, the District issued \$56,562,550 in general obligation bonds to advance refund a portion of 2002 Series A and B Bonds. Interest rates on the bonds range from 3.00 to 5.14 percent. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. As of June 30, 2017, the outstanding balance was \$8,452,198.

#### **The San Bernardino Community College District Election of 2008**

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

#### **The San Bernardino Community College District 2013 Refunding Bonds**

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### The San Bernardino Community College District 2015 Refunding Bonds

In September 2015, the District issued \$55,975,000 in general obligation bonds to advance refund the 2002 Series C and a portion of 2005 Refunding Bonds. Interest rates on the bonds range from 2.00 to 5.00 percent. The proceeds were deposited into an escrow account to pay future principal and interest amounts on the refunded bonds. The assets and liabilities for the defeased bonds are not included on the District's financial statements. As of June 30, 2017, the outstanding balance was \$55,375,000.

### Debt Maturity

#### General Obligation Bonds

Issue Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Additions	Redeemed	Bonds Outstanding June 30, 2017
2002 D	6/9/2009	8/1/2033	6.02%-6.79%	\$ 4,999,797	\$ 8,152,401	\$ 631,859	\$ -	\$ 8,784,260
2002 E	6/9/2009	8/1/2033	7.63%	15,000,000	15,000,000	-	-	15,000,000
Refunding								
2005	3/22/2005	8/1/2023	3.00%-5.14%	56,562,550	7,522,427	929,771	-	8,452,198
2008 A	12/17/2008	8/1/2018	3.75%-6.50%	140,000,000	5,530,000	-	1,365,000	4,165,000
2008 B	6/9/2009	8/1/2048	2.60%-7.19%	73,102,389	113,739,806	8,089,672	629,285	121,200,193
2008 C	6/9/2009	8/1/2044	7.43%-7.63%	45,210,000	45,210,000	-	-	45,210,000
2008 D	9/22/2015	8/1/2048	2.00%-5.00%	37,536,960	37,645,641	376,183	1,160,000	36,861,824
Refunding								
2013 Series A	4/10/2013	8/1/2033	.50%-5.00%	198,570,000	193,175,000	-	1,235,000	191,940,000
Refunding								
2013 Series B	4/10/2013	8/1/2021	.49%-3.06%	32,460,000	30,735,000	-	5,040,000	25,695,000
Refunding								
2015	9/22/2015	8/1/2031	2.00%-5.00%	55,975,000	55,975,000	-	600,000	55,375,000
Subtotal General Obligation Bonds					512,685,275	10,027,485	10,029,285	512,683,475
Premium on debt					38,096,839	-	2,501,119	35,595,720
					<u>\$ 550,782,114</u>	<u>\$ 10,027,485</u>	<u>\$ 12,530,404</u>	<u>\$ 548,279,195</u>

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

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

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Community Service Grant Payable

Principal is due through 2018 as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2018	<u>\$ 109,374</u>

### Compensated Absences

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

### Aggregate Net Pension Obligation

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

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

### Plan Description

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

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

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

Inactive Plan members or beneficiaries currently receiving benefit payments	49
Active Plan members	<u>599</u>
	<u>648</u>

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Contribution Information

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

### Investments

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

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

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

### Net OPEB of the District

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

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



# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of February 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

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

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

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

*Discount rate.* The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### ***NOTE 12 - RISK MANAGEMENT***

#### **Property and Liability Insurance Coverages**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ended June 30, 2017, the District contracted with the Statewide Association for Excess Risks (SAFER) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2016-2017, the District participated in the Schools Alliance for Workers' Compensation Excess (SAWCX II) Joint Powers Authority (JPA), an insurance purchasing pool. The District is self insured for the first \$500,000 of each workers' compensation claim. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience, and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the JPA. Participation in the JPA is limited to K-12 and community college districts that can meet the JPA's selection criteria.

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

### ***NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS***

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 55,196,567	\$ 19,179,753	\$ 7,491,295	\$ 6,479,560
CalPERS	21,155,192	8,392,880	13,520,721	557,990
Total	<u>\$ 76,351,759</u>	<u>\$ 27,572,633</u>	<u>\$ 21,012,016</u>	<u>\$ 7,037,550</u>

The details of each plan are as follows:

#### California State Teachers' Retirement System (CalSTRS)

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

##### Benefits Provided

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

### Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the District's total contributions were \$4,475,608.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 55,196,567
State's proportionate share of net pension liability associated with the District	31,422,421
Total	<u>\$ 86,618,988</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.0682 percent and 0.0779 percent, respectively, resulting in a net decrease in the proportionate share of 0.0097 percent.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

For the year ended June 30, 2017, the District recognized pension expense of \$6,479,560. In addition, the District recognized pension expense and revenue of \$3,037,308 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,475,608	\$ -
Net change in proportionate share of net pension liability	10,316,045	6,144,838
Difference between projected and actual earnings on pension plan investments	4,388,100	-
Difference between expected and actual experience in the measurement of the total pension liability	-	1,346,457
Total	<u>\$ 19,179,753</u>	<u>\$ 7,491,295</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 95,734
2019	95,734
2020	2,550,818
2021	1,645,814
Total	<u>\$ 4,388,100</u>

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 793,333
2019	793,333
2020	793,333
2021	793,333
2022	793,334
Thereafter	(1,141,916)
Total	<u>\$ 2,824,750</u>

#### Actuarial Methods and Assumptions

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

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

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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

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

#### Discount Rate

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

#### California Public Employees' Retirement System (CalPERS)

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

##### Benefits Provided

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



## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

#### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above, and the total District contributions were \$3,710,189.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,155,192. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2016 and June 30, 2015, was 0.1071 percent and 0.1032 percent, respectively, resulting in a net increase in the proportionate share of 0.0039 percent.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

For the year ended June 30, 2017, the District recognized pension expense of \$557,990. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,710,189	\$ -
Net change in proportionate share of net pension liability	490,209	12,885,133
Difference between projected and actual earnings on pension plan investments	3,282,606	-
Difference between expected and actual experience in the measurement of the total pension liability	909,876	-
Changes of assumptions	-	635,588
Total	<u>\$ 8,392,880</u>	<u>\$ 13,520,721</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 460,428
2019	460,429
2020	1,505,017
2021	856,732
Total	<u>\$ 3,282,606</u>

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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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 EARSLS of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 3.9 years and will be recognized in pension expense as follows:

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

#### Actuarial Methods and Assumptions

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

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

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

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

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

#### Discount Rate

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

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

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

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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

#### **Plan Description**

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

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

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

#### **On Behalf Payments**

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to \$3,142,482 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

### ***NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES***

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

#### **Schools Association for Excess Risk (SAFER)**

SAFER's excess property and liability insurance program was established in 2002 to meet the needs of California K-12 schools and community college districts. The program provides their members with comprehensive coverage and competitive rates. SAFER's membership consists of one individual member district and three joint powers authority members, which represent 517 school and college districts. A board comprised of two representatives from each member with an average daily attendance (ADA) of over 100,000, or one representative for ADAs with less than 100,000, governs SAFER. Each member is allowed votes based on a weighted system based on ADA.

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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### **Statewide Association of Community Colleges (SWACC)**

SWACC arranges for and provides the broadest possible property and liability protection available to school districts. SWACC's membership consists of 46 community college districts and two joint powers authority members. A board comprised of one representative from each member governs SWACC. Each member is allowed votes based on a weighted system based on ADA. The board controls the operations of SWACC and elects officers from its members.

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

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

### **California Community College Financing Authority (CCCFA)**

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

### **San Bernardino Regional Emergency Training Center (SBRETC)**

SBRETC was formed to establish a live-fire aircraft, rescue, and fire-fighting training facility in Southern California.

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

## ***NOTE 15 - COMMITMENTS AND CONTINGENCIES***

### **Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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#### Operating Leases

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

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

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

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

#### Construction Commitments

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

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

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2017**

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### ***NOTE 16 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION***

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

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

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



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***REQUIRED SUPPLEMENTARY INFORMATION***

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# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

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

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

\* Entry age normal costs method

See accompanying note to required supplementary information.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

See accompanying note to required supplementary information.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

See accompanying note to required supplementary information.

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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#### **NOTE 1 - PURPOSE OF SCHEDULES**

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

##### **Schedule of District Contributions for OPEB**

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

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

*Methods and assumptions used to determine contribution rates:*

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



## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

### **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017**

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#### **Schedule of OPEB Investment Returns**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

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

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

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

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

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

#### **Schedule of District Contributions for Pensions**

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

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***SUPPLEMENTARY INFORMATION***

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## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

### **DISTRICT ORGANIZATION**

**JUNE 30, 2017**

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

#### **BOARD OF TRUSTEES**

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

#### **ADMINISTRATION**

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

See accompanying note to supplementary information.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

\*\* Research and Development Grant.

See accompanying note to supplementary information.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

\*\* Research and Development Grant.

See accompanying note to supplementary information.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.



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

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

\* Annual report revised as of November 1, 2017

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110				ECS 84362 B Total CEE AC 0100 - 6799			
Object/TOP Codes		Reported Data	Audit Adjustments	Revised Data		Reported Data	Audit Adjustments	Revised Data	
<b>Academic Salaries</b>	<b>Instructional Salaries</b>								
	Contract or Regular	\$ 16,832,325	\$ -	\$ 16,832,325		\$ 16,832,325	\$ -	\$ 16,832,325	
	Other	13,116,153	-	13,116,153		13,116,153	-	13,116,153	
	<b>Total Instructional Salaries</b>	29,948,478	-	29,948,478		29,948,478	-	29,948,478	
<b>Noninstructional Salaries</b>	<b>Noninstructional Salaries</b>								
	Contract or Regular	-	-	-		6,263,494	-	6,263,494	
	Other	-	-	-		784,204	-	784,204	
	<b>Total Noninstructional Salaries</b>	-	-	-		7,047,698	-	7,047,698	
	<b>Total Academic Salaries</b>	29,948,478	-	29,948,478		36,996,176	-	36,996,176	
<b>Classified Salaries</b>	<b>Classified Salaries</b>								
	Regular Status	-	-	-		15,486,749	-	15,486,749	
	Other	-	-	-		1,375,400	-	1,375,400	
	<b>Total Noninstructional Salaries</b>	-	-	-		16,862,149	-	16,862,149	
<b>Instructional Aides</b>	<b>Instructional Aides</b>								
	Regular Status	1,436,499	-	1,436,499		1,436,499	-	1,436,499	
	Other	579,829	-	579,829		579,829	-	579,829	
	<b>Total Instructional Aides</b>	2,016,328	-	2,016,328		2,016,328	-	2,016,328	
	<b>Total Classified Salaries</b>	2,016,328	-	2,016,328		18,878,477	-	18,878,477	
<b>Employee Benefits</b>	<b>Employee Benefits</b>								
	Supplies and Material	10,479,224	-	10,479,224		20,000,436	-	20,000,436	
	Other Operating Expenses	-	-	-		818,521	-	818,521	
	Equipment Replacement	100,164	-	100,164		9,871,110	-	9,871,110	
	<b>Total Expenditures</b>	-	-	-		283,000	-	283,000	
	<b>Prior to Exclusions</b>	42,544,194	-	42,544,194		86,847,720	-	86,847,720	

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110				ECS 84362 B Total CEE AC 0100 - 6799			
	Reported Data	Audit Adjustments	Revised Data		Reported Data	Audit Adjustments	Revised Data	
6441	\$ -	\$ -	\$ -		\$ 545,264	\$ -	\$ 545,264	
5060	-	-	-		1,102,363	-	1,102,363	
4200	-	-	-		-	-	-	
4300	-	-	-		-	-	-	
	-	-	-		-	-	-	

<b>Exclusions</b>
<b>Activities to Exclude</b>
Student Health Services Above Amount Collected
<b>Objects to Exclude</b>
Rents and Leases
Lottery Expenditures
Books, Magazines, and Periodicals
Instructional Supplies and Materials
<b>Total Supplies and Materials</b>

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

See accompanying note to supplementary information.

## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

See accompanying note to supplementary information.

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

See accompanying note to supplementary information.

# SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

#### Total Fund Balance:

General Fund	\$ 18,938,352	
Special Revenue Funds	486,563	
Capital Project Funds	51,659,884	
Debt Service Funds	33,537,542	
Enterprise Funds	310,906	
Internal Service Funds	13,747,477	
Fiduciary Funds	144,582	
<b>Total Fund Balance - All District Funds</b>		<b>\$ 118,825,306</b>

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	686,483,609	
Accumulated depreciation is	(141,765,296)	
Less fixed assets already recorded in the enterprise funds	(83,647)	544,634,666

The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. The balance represents the unamortized deferred charges on refunding amounts as of June 30, 2017.

13,276,638

In governmental funds, postemployment benefit costs are recognized as expenditures in the period they are paid. In the government-wide financial statements, postemployment benefit costs are recognized in the period that they are incurred. The other postemployment benefit net asset is a result of the accumulated contributions in excess of the annual required contribution (ARC).

4,528,893

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

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

Pension contributions subsequent to measurement date	8,185,797	
Net change in proportionate share of net pension liability	10,806,254	
Difference between projected and actual earnings on pension plan investments	7,670,706	
Differences between expected and actual experience in the measurement of the total net pension liability	909,876	
<b>Total Deferred Outflows of Resources Related to Pensions</b>		<b>27,572,633</b>

See accompanying note to supplementary information.



## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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

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

Net change in proportionate share of net pension liability	\$ (19,029,971)	
Differences between projected and actual earnings on pension plan investments		
Differences between expected and actual experience in the measurement of the total pension liability.	(1,346,457)	
Changes in assumptions	(635,588)	
Total Deferred Inflows of Resources Related to Pensions		\$ (21,012,016)

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.

(7,562,197)

Long-term liabilities at year end consist of:

Bonds payable	548,279,195	
Community service grant payable	109,374	
Compensated absences	3,346,683	
Aggregate net pension liability	76,351,759	\$ (628,087,011)
Total Net Position		<u><u>\$ 52,176,912</u></u>

See accompanying note to supplementary information.

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **District Organization**

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

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The Federal Perkins Loans program represents an outstanding loan with the District with continuing compliance requirements. The balance on the outstanding loan at June 30, 2017, was \$154,833.

#### **Schedule of Expenditures of State Awards**

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

#### **Schedule of Workload Measures for State General Apportionment**

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

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

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

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

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

## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

### **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 20172017**

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#### **Proposition 30 Education Protection Act (EPA) Expenditure Report**

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

#### **Reconciliation of Governmental Funds to the Statement of Net Position**

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

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***INDEPENDENT AUDITOR'S REPORTS***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of San Bernardino Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

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

## **Purpose of This Report**

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

*Vavinek Time Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2017



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

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

**Report on Compliance for Each Major Federal Program**

We have audited San Bernardino Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on each major Federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.



The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Management's Response and Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Vavinek Tume Day & Co LLP*

Rancho Cucamonga, California  
November 20, 2017



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### Report on State Compliance

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

### Management's Responsibility

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

### Auditor's Responsibility

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

### Basis for Qualified Opinion

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

## Qualified Opinion

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

## Unmodified Opinion for Each of the Other Programs

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

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

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

The District did not offer Intersession Extension Programs; therefore, the compliance tests within this section were not applicable.

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

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

*Vavinek Tume Day & Co. LLP*

Rancho Cucamonga, California  
November 20, 2017

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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## SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

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

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#### FINANCIAL STATEMENTS

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

#### FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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<u>84.007, 84.033, and 84.063</u>	<u>Student Financial Assistance Cluster</u>
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Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

#### STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all State programs except for the following State program which was qualified:	
	<u>Name of State Program</u>
	<u>Section 479 - To Be Arranged (TBA) Hours</u>

**SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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None reported.

## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

#### **2017-001 Special Test and Provisions**

##### **Federal Program Affected**

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

##### **Criteria or Specific Requirement**

34 CFR section 668.22(j):

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

34 CFR Section 668.173(b):

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

##### **Condition**

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

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

##### **Questioned Costs**

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

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

## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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#### **Context**

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

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

#### **Effect**

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

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

#### **Cause**

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

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

#### **Recommendation**

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

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

#### **Management's Response and Corrective Action Plan**

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



## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

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

##### **Criteria or Specific Requirement**

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

##### **Condition**

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

##### **Questioned Costs**

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

##### **Context**

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

##### **Effect**

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

##### **Cause**

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

## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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#### **Recommendation**

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

#### **Management's Response and Corrective Action Plan**

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

# **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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

### ***State Awards Findings***

#### **2016-001 State General Apportionment Funding Formula**

##### **Criteria or Specific Requirement**

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

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

##### **Condition**

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

##### **Questioned Costs**

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

##### **Context**

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

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

##### **Effect**

The FTES was overstated by 9.222 FTES.

## **SAN BERNARDINO COMMUNITY COLLEGE DISTRICT**

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

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#### **Cause**

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

#### **Recommendation**

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

#### **Current Status**

Implemented.

November 8, 2017

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

**2017-001 Special Test and Provisions**

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

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

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



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

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## 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 \$\_\_\_\_\_ of the District’s 2017 General Obligation Refunding Bonds, Series A (2019 Crossover) and \$\_\_\_\_\_ of the District’s 2017 General Obligation Refunding Bonds, Series B (together, the “Bonds”). The Bonds are being issued pursuant to a Resolution of the Board of Trustees of the District adopted on November 30, 2017. 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 Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, 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 the District, 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.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the sale of the Bonds, dated as of \_\_\_\_\_, 2017.

“Participating Underwriter” shall mean Piper Jaffray & Co., as 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 2017-18 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 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 to the Repository.

SECTION 4. Content 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) FTES 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; and
- (e) assessed valuation of real property located 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. 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)(9), 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 Holders.
3. optional, contingent or unscheduled bond calls.
4. unless described under Section 5(a)(5) above, 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 trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(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 attorneys' 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.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Date: \_\_\_\_\_, 2017

SAN BERNARDINO COMMUNITY COLLEGE  
DISTRICT

By \_\_\_\_\_  
Vice Chancellor of Administrative Services

**EXHIBIT A**

**NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of District:        SAN BERNARDINO COMMUNITY COLLEGE DISTRICT

Name of Bond Issue:     2017 General Obligation Refunding Bonds, Series A (2019 Crossover); and  
                                 2017 General Obligation Refunding Bonds, Series B

Date of Issuance:        \_\_\_\_\_, 2017

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 shows historical population figures for the City, the Counties and the State from 2008 through 2017.

**POPULATION ESTIMATES**  
**2008 through 2017**  
**City of San Bernardino, San Bernardino County, Riverside County and State of California**

<u>Year</u> <sup>(1)</sup>	<u>City of San Bernardino</u>	<u>San Bernardino County</u>	<u>Riverside County</u>	<u>State of California</u>
2008	207,748	2,009,594	2,102,741	36,704,375
2009	208,318	2,019,432	2,140,626	36,966,713
2010 <sup>(2)</sup>	209,924	2,035,210	2,189,641	37,253,956
2011	210,842	2,054,735	2,212,874	37,536,835
2012	211,813	2,070,374	2,239,715	37,881,357
2013	212,674	2,086,576	2,266,290	38,238,492
2014	213,187	2,101,525	2,291,699	38,572,211
2015	214,428	2,122,015	2,318,762	38,915,880
2016	215,678	2,135,724	2,348,213	39,189,035
2017	216,972	2,160,256	2,384,783	39,523,613

<sup>(1)</sup> As of January 1.

<sup>(2)</sup> As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2008-09, 2011-17 (2000 and 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 2006 through 2015.

**PER CAPITA PERSONAL INCOME**  
**2006 through 2015**  
**San Bernardino County, Riverside County, State of California and the United States**

<u>Year</u>	<u>San Bernardino County</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States</u>
2006	\$28,841	\$31,574	\$42,334	\$38,144
2007	29,646	31,972	43,692	39,821
2008	30,089	31,932	44,162	41,082
2009	29,042	30,446	42,224	39,376
2010	29,266	30,380	43,315	40,277
2011	30,738	31,828	45,820	42,453
2012	31,331	32,263	48,312	44,267
2013	31,916	32,765	48,471	44,462
2014	33,562	33,867	50,988	46,414
2015	35,431	35,589	53,741	48,112

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 2015 reflect county population estimates available as of March 2016. All dollar estimates are in current dollars (not adjusted for inflation).

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 and, State and the United States from 2012 through 2016.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE 2012 through 2016<sup>(1)</sup>

#### City of San Bernardino, San Bernardino County, Riverside County, State of California and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> <sup>(2)</sup>	<u>Unemployment</u>	<u>Unemployment Rate (%)</u> <sup>(3)</sup>
<u>2012</u>				
City of San Bernardino	81,600	69,900	11,700	14.3
San Bernardino County	892,200	790,400	101,800	11.4
Riverside County	987,100	872,300	114,800	11.6
State of California	18,523,800	16,602,700	1,921,100	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
<u>2013</u>				
City of San Bernardino	81,600	71,500	10,000	12.3
San Bernardino County	896,600	809,100	87,500	9.8
Riverside County	996,300	897,800	98,600	9.9
State of California	18,624,300	16,958,700	1,665,600	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
<u>2014</u>				
City of San Bernardino	82,100	73,800	8,300	10.1
San Bernardino County	907,100	834,500	72,600	8.0
Riverside County	1,013,000	930,000	83,000	8.2
State of California	18,755,000	17,348,600	1,406,400	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
<u>2015</u>				
City of San Bernardino	83,000	76,200	6,800	8.2
San Bernardino County	921,000	862,000	59,100	6.4
Riverside County	1,035,500	966,400	69,100	6.7
State of California	18,893,200	17,723,300	1,169,900	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
<u>2016</u>				
City of San Bernardino	84,100	78,000	6,100	7.3
San Bernardino County	935,600	882,200	53,400	5.7
Riverside County	1,051,800	988,000	63,800	6.1
State of California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9

Note: Data is not seasonally adjusted.

<sup>(1)</sup> Annual averages, unless otherwise specified.

<sup>(2)</sup> Includes persons involved in labor-management trade disputes.

<sup>(3)</sup> 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 2016 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 2012 through 2016 San Bernardino County (Riverside-San Bernardino-Ontario MSA)

<u>Category</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Farm	15,000	14,500	14,400	14,800	14,700
Total Nonfarm	1,185,200	1,233,300	1,289,300	1,353,100	1,400,800
Total Private	960,600	1,008,100	1,060,500	1,119,800	1,160,300
Goods Producing	150,500	158,600	170,200	183,000	192,300
Mining and Logging	1,200	1,200	1,300	1,300	900
Construction	62,600	70,000	77,600	85,700	92,500
Manufacturing	86,700	87,300	91,300	96,100	98,900
Durable Goods	56,900	57,300	60,200	63,100	64,800
Nondurable Goods	29,800	30,100	31,100	33,000	34,100
Service Providing	1,034,700	1,074,700	1,119,100	1,170,100	1,208,500
Private Service Providing	810,100	849,600	890,300	936,800	968,000
Trade, Transportation and Utilities	287,600	299,700	314,900	333,200	346,300
Wholesale Trade	52,200	56,400	58,900	61,600	62,900
Retail Trade	162,400	164,800	169,400	174,300	179,000
Transportation, Warehousing and Utilities	73,000	78,400	86,600	97,400	104,400
Information	11,700	11,500	11,300	11,400	11,600
Financial Activities	40,700	41,800	42,900	43,900	45,300
Professional and Business Services	127,100	131,900	138,700	147,400	145,800
Educational and Health Services	173,600	187,600	194,800	205,100	214,300
Leisure and Hospitality	129,400	135,900	144,800	151,700	159,700
Other Services	40,100	41,100	43,000	44,000	45,100
Government	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>240,500</u>
Total, All Industries	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,415,400</u>

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 2016 Benchmark.

## Principal Employers

The following tables list the principal employers located in the City, the County, and Riverside County.

### PRINCIPAL EMPLOYERS

2016

#### City of San Bernardino

<u>Company</u>	<u>Description</u>	<u>Employees</u>
Amazon Fulfillment Center	Wholesale Trade-durable Goods	1,000 to 4,999
BNSF Railway Co.	Transportation Services	1,000 to 4,999
California State University, San Bernardino	Educational Services	1,000 to 4,999
San Bernardino Countywide Gangs and Drugs Task Force	Social Services	1,000 to 4,999
San Bernardino County Government	Public Administration	1,000 to 4,999
Saint Bernardine Medical Center	Health Services	1,000 to 4,999
California Department of Transportation Services	Public Administration of Transportation Programs	1,000 to 4,999

Source: State of California Employment Development Department, as extracted from the America's Labor Market Information System Employer Database, 2017 2<sup>nd</sup> Edition.

### PRINCIPAL EMPLOYERS

2016

#### San Bernardino County

<u>Company</u>	<u>Description</u>	<u>Employees</u>
County of San Bernardino	Public Administration	19,000
Stater Bros. Market	Retail Trade: Food Stores	18,221
U.S. Army, Fort Irwin and National Training Center	National Security	13,805
Loma Linda University	Educational Services	13,805
U.S. Marine Corps Air Ground Combat Center	National Security	12,486
United Parcel Service	Transportation of Freight and Cargo	8,600
San Bernardino City Unified School District	Educational Services	8,574
Ontario International Airport	Transportation by Air	7,695
Loma Linda University Medical Center	Health Services	6,147
Kaiser Permanente (Fontana only)	Insurance Agents, Brokers, and Service	6,000

Source: "Comprehensive Annual Financial Report" of San Bernardino County, California for the fiscal year ended June 30, 2016, noted "Due to the unavailability of fiscal year 2016, 2015 and 2014 data, fiscal year 2013 data was used instead."

**LARGEST EMPLOYERS**  
**Riverside County**  
**2016**

<u>Rank</u>	<u>Name of Business</u>	<u>Employees</u>
1.	County of Riverside	21,479
2.	March Air Reserve Base	8,500
3.	University of California, Riverside	8,306
4.	Amazon	7,500
5.	Stater Bros. Markets	6,900
6.	Kaiser Permanente Riverside Med. Center	5,300
7.	Corona-Norco Unified School District	5,098
8.	Desert Sands Unified School District	4,202
9.	Riverside Unified School District	3,973
10.	Pechanga Resort & Casino	3,931

*Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2016.*

**Commercial Activity**

Summaries of annual taxable sales for the City and the Counties from 2011 through 2015 are shown in the following tables.

**ANNUAL TAXABLE SALES**  
**2011 through 2015**  
**City of San Bernardino**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2011	4,996	\$1,923,398	6,156	\$2,284,943
2012	5,098	2,049,832	6,258	2,422,215
2013	4,401	2,171,867	5,498	2,568,376
2014	4,673	2,273,215	5,808	2,737,021
2015	--	2,337,790	--	2,862,492

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

*Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.*

**ANNUAL TAXABLE SALES**  
**2011 through 2015**  
**San Bernardino County**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	Retail Stores Taxable <u>Transactions</u>	<u>Total Permits</u>	Total Taxable <u>Transactions</u>
2011	34,140	\$18,736,053	47,791	\$27,322,980
2012	35,095	19,980,937	48,936	29,531,921
2013	32,986	21,173,875	46,632	31,177,823
2014	34,455	22,240,376	48,349	33,055,967
2015	--	23,142,828	--	35,338,556

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

**TAXABLE SALES**  
**2011-2015**  
**Riverside County**  
**(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	Retail Stores Taxable <u>Transactions</u>	<u>Total Permits</u>	Total Taxable <u>Transactions</u>
2011	33,398	\$18,576,285	46,886	\$25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	-	23,281,724	-	32,910,910

Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

## Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2012 through 2016 for the City and the Counties are shown in the following tables.

### BUILDING PERMITS AND VALUATIONS 2012 through 2016 City of San Bernardino (Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$7,249	\$12,061	\$36,608	\$36,100	\$16,064
Non-Residential	<u>87,364</u>	<u>156,460</u>	<u>112,312</u>	<u>138,704</u>	<u>88,221</u>
Total	\$94,613	\$168,521	\$148,920	\$174,804	\$104,285
Units					
Single Family	18	38	62	38	33
Multiple Family	<u>0</u>	<u>0</u>	<u>50</u>	<u>47</u>	<u>62</u>
Total	18	38	112	85	95

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

### BUILDING PERMITS AND VALUATIONS 2012 through 2016 San Bernardino County (Dollars in Thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation					
Residential	\$480,704	\$666,166	\$708,471	\$1,056,572	\$888,142
Non-Residential	<u>562,616</u>	<u>768,169</u>	<u>958,267</u>	<u>1,146,722</u>	<u>994,282</u>
Total	\$1,043,320	\$1,434,335	\$1,666,738	\$2,203,294	\$1,882,424
Units					
Single Family	1,214	1,874	1,937	2,753	2,896
Multiple Family	<u>596</u>	<u>1,439</u>	<u>1,266</u>	<u>1,159</u>	<u>976</u>
Total	1,810	3,313	3,203	3,912	3,872

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS**  
**2012-2016**  
**Riverside County**  
**(Dollars in Thousands)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Valuation (\$000):					
Residential	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535
Non-residential	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>\$1,346,020</u>
Total*	\$1,737,000	\$2,249,570	\$2,436,741	\$2,448,207	\$3,105,555
Residential Units:					
Single family	3,720	4,716	5,007	5,007	5,662
Multiple family	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>
Total	4,629	6,143	6,938	6,196	6,701

*Source: Construction Industry Research Board.*

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## **APPENDIX E**

### **SAN BERNARDINO COUNTY INVESTMENT POOL**

*The following information concerning the San Bernardino County Pooled Investment Fund (the "Investment Pool") has been provided by the San Bernardino County Treasurer (the "Treasurer"), and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment 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, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make 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 or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.mytaxcollector.com/>; however, the information presented on such website is not incorporated herein by any reference.*

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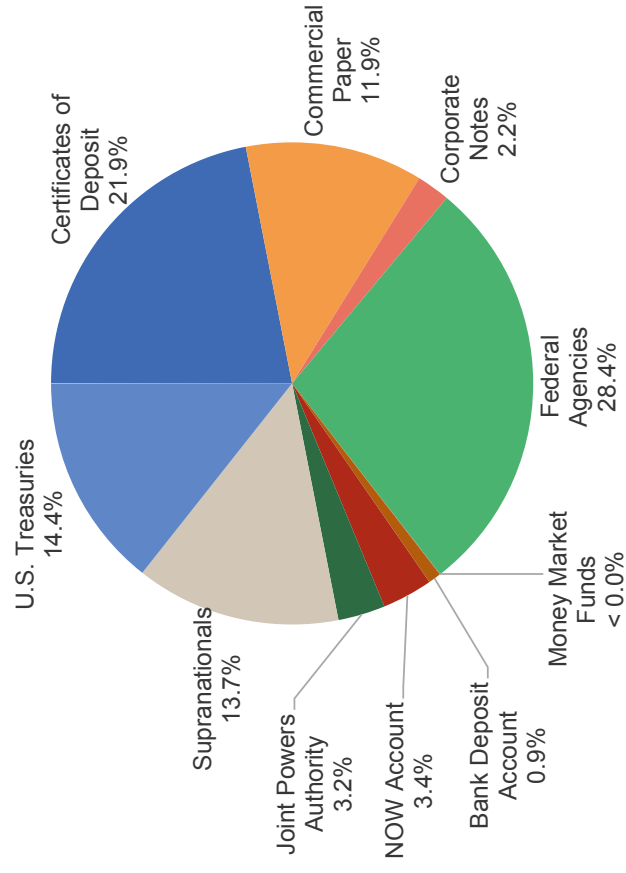
## San Bernardino County Pool Summary (as of 10/31/2017)

Security Type	Par Value	Amortized Cost	Market Value	Market % of Portfolio	Yield to Maturity At Cost	Weighted Avg. Maturity	Modified Duration
Bankers Acceptances	0.00	0.00	0.00	-	-	-	-
Certificates of Deposit	1,293,000,000.00	1,293,000,000.00	1,292,909,392.00	21.9%	1.31%	129	0.34
Collateralized CD	0.00	0.00	0.00	-	-	-	-
Commercial Paper	705,000,000.00	703,846,394.58	703,857,379.00	11.9%	1.26%	46	0.11
Corporate Notes	132,000,000.00	131,988,775.22	131,715,082.00	2.2%	1.52%	659	1.75
Federal Agencies	1,683,672,000.00	1,682,466,554.50	1,676,994,722.98	28.4%	1.22%	462	1.24
Money Market Funds	2,000,000.00	2,000,000.00	2,000,000.00	0.0%	0.92%	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	0.9%	0.95%	1	-
NOW Account	200,000,000.00	200,000,000.00	200,000,000.00	3.4%	1.23%	1	-
Joint Powers Authority	187,000,000.00	187,000,000.00	187,000,000.00	3.2%	1.16%	1	-
Supranationals	815,000,000.00	814,074,372.95	809,763,045.00	13.7%	1.23%	503	1.35
U.S. Treasuries	850,000,000.00	848,068,178.00	846,679,625.00	14.4%	1.50%	810	2.16
<b>Total Securities</b>	<b>5,917,672,000.00</b>	<b>5,912,444,275.25</b>	<b>5,900,919,245.98</b>	<b>100.0%</b>	<b>1.29%</b>	<b>365</b>	<b>0.98</b>
Cash Balance	268,396,622.22	268,396,622.22	268,396,622.22				
<b>Total Investments</b>	<b>6,186,068,622.22</b>	<b>6,180,840,897.47</b>	<b>6,169,315,868.20</b>				
Accrued Interest		13,560,379.87	13,560,379.87				
<b>Total Portfolio</b>	<b>6,186,068,622.22</b>	<b>6,194,401,277.34</b>	<b>6,182,876,248.07</b>				

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



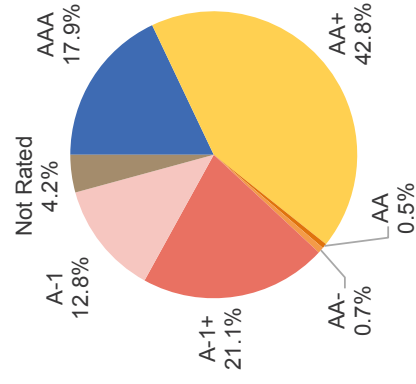
Percentages may not sum to 100% due to rounding.

Sector	Market Value
Banker's Acceptances	\$0
Certificates of Deposit	\$1,292,909,392
Collateralized CD	\$0
Commercial Paper	\$703,857,379
Corporate Notes	\$131,715,082
Federal Agencies	\$1,676,994,723
Money Market Funds	\$2,000,000
Municipal Debt	\$0
Repurchase Agreements	\$0
Bank Deposit Account	\$50,000,000
NOW Account	\$200,000,000
Joint Powers Authority	\$187,000,000
Supranationals	\$809,763,045
U.S. Treasuries	\$846,679,625

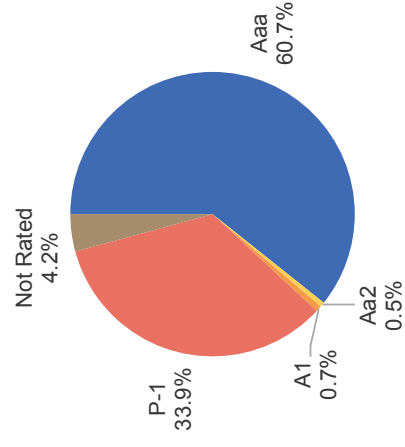


## Credit Quality Distribution

### S&P RATINGS



### MOODY'S RATINGS



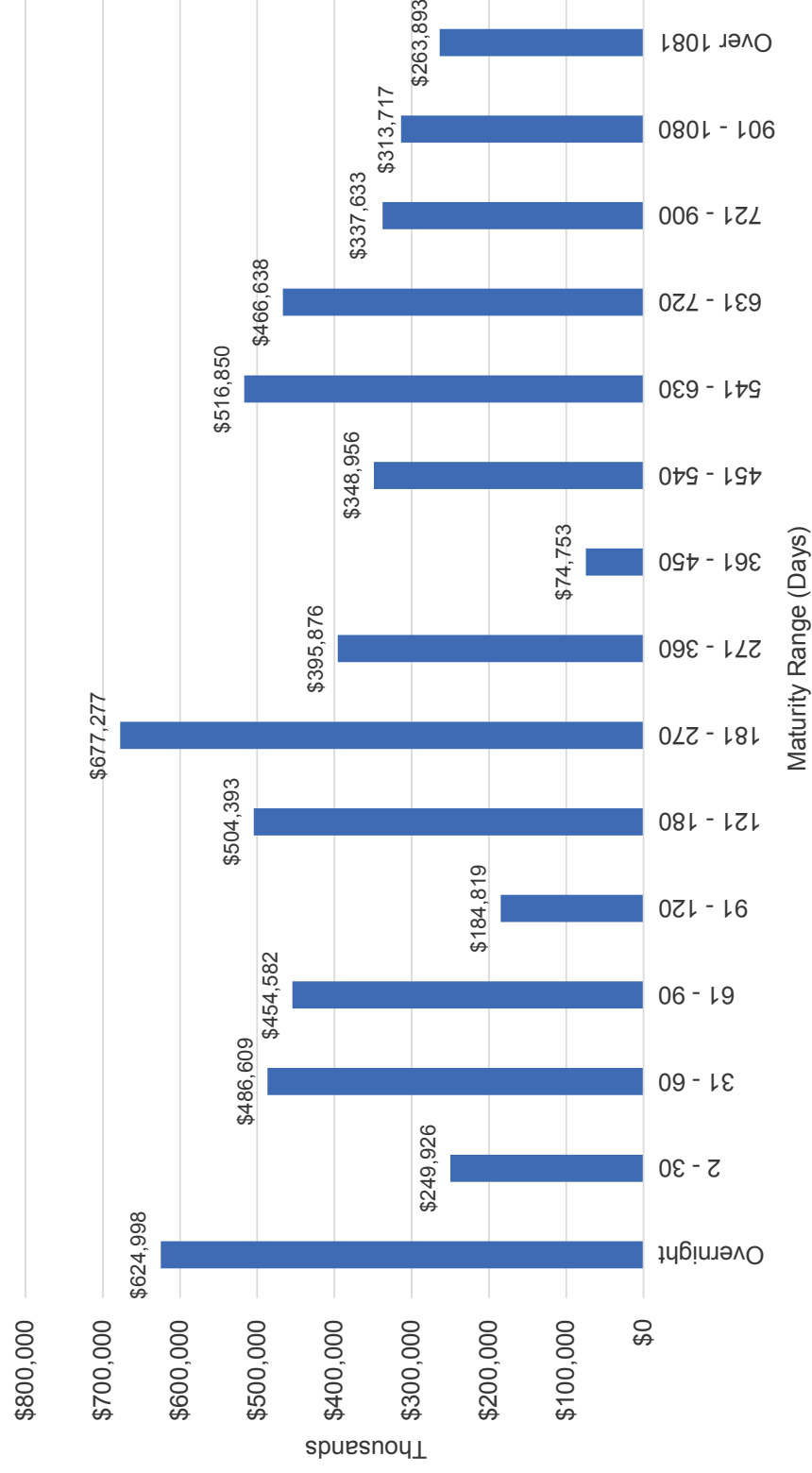
Credit Rating	Market Value
A-1+ (Short-Term)	\$1,244,418,971
A-1 (Short-Term)	\$752,347,800
AAA (Long-Term)	\$1,058,499,000
AA+ (Long-Term)	\$2,523,674,348
AA (Long-Term)	\$31,975,167
AA- (Long-Term)	\$40,003,960
A+ (Long-Term)	\$0
A (Long-Term)	\$0
Not Rated	\$250,000,000

Percentages may not sum to 100% due to rounding.

Credit Rating	Market Value
P-1 (Short-Term)	\$1,996,766,771
Aaa (Long-Term)	\$3,582,173,348
Aa3 (Long-Term)	\$0
Aa2 (Long-Term)	\$31,975,167
Aa1 (Long-Term)	\$0
A3 (Long-Term)	\$0
A2 (Long-Term)	\$0
A1 (Long-Term)	\$40,003,960
Not Rated	\$250,000,000



## Maturity Distribution



Maturity range assumes no securities are called.



## San Bernardino County Pool Portfolio Yield Summary

Month	Yield to Maturity At Cost
September 2016	0.88%
October 2016	0.88%
November 2016	0.93%
December 2016	1.00%
January 2017	1.02%
February 2017	1.08%
March 2017	1.10%
April 2017	1.11%
May 2017	1.16%
June 2017	1.23%
July 2017	1.25%
August 2017	1.27%
<b>September 2017</b>	<b>1.29%</b>

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.

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**APPENDIX F**  
**ACCRETED VALUES TABLE**